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REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FORTY-THIRD SESSION

held at the Palais des Nations, Geneva,
from 7 to 18 October 1996

Volume II

Summary of proceedings

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Preface

This volume (volume II) of the report of the Trade and Development Board on its forty-third session contains the summaries of statements made during the session.

All other matters relating to the forty-third session of the Board are to be found in volume I of the report, entitled Report to the United Nations General Assembly*. These include action taken by the Board, statements of position in relation to that action, the procedural and institutional matters, and diverse annexes.

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* See TD/B/43/12 (Vol. I).

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INTRODUCTION

1. Opening the forty-third session of the Trade and Development Board, the **out-going President of the Board**, Mr. William Rossier of Switzerland, observed that his year-long tenure of the presidency had coincided with a period of immense challenge for UNCTAD, which had spanned the preparatory process for the ninth session of the Conference, the Conference itself in Midrand, South Africa, and the early stages of the implementation of the Midrand Declaration and A Partnership for Growth and Development. As an exercise in multilateral cooperation, UNCTAD IX had undoubtedly been a resounding success - a win-win outcome for all parties. UNCTAD had emerged rejuvenated, strengthened and ready to face the arduous new challenges ahead. Indeed, it was vital to ensure that the Midrand decisions were implemented quickly and fully, that they were translated into tangible results. Barely two months after the close of the Conference, the thirteenth executive session of the Board had taken the decisions necessary to launch the post-Midrand implementation process. For his part, the Secretary-General of UNCTAD had completed the restructuring of the secretariat in the light of the Midrand decisions. Of course, the follow-up to Midrand was not something that would be over and done in a matter of months: it was a continuous process, the success of which could be gauged only in four years' time, on the eve of the tenth session of the Conference in Thailand. But his observation, during his presidency, of the cooperative will of the member States and the mood of the secretariat had fortified his faith in the eventual triumph of the spirit of Midrand.

2. The **newly elected President of the Board**, Mr. Patrick Sinyinza of Zambia, said that the confidence of the international community in UNCTAD as an organization capable of leading the way into the twenty-first century in a changing world had been given collective expression in the Midrand Declaration and A Partnership for Growth and Development. Subsequently, the leaders of the G.7 Summit, meeting in Lyon, France, had stated in their final communiqué that UNCTAD IX had been a milestone in the renewal of UNCTAD, having succeeded in reforming the intergovernmental machinery of UNCTAD and refocusing its work on a small number of priorities to promote development through trade and investment with the aim of facilitating the integration of developing countries in the international trade system. Likewise, the Ministers for Foreign Affairs of the Group of 77 and China, in the Ministerial Declaration of their Twentieth Annual Meeting, had welcomed the outcome of UNCTAD IX and reaffirmed their strong commitment to strengthening UNCTAD, urging the international community to provide the organization with political and financial support to enable it to discharge its mandate fully.

3. In this context, he felt sure that delegations had come to the current session of the Board not to fulfil routine representational formalities but, stimulated and motivated by the in-depth and solid analytical reports prepared by the secretariat, to hold a serious dialogue on issues that were of primary concern to their policy-makers. The secretariat reports, in particular the Trade and Development Report 1996 and the World Investment Report 1996, had attracted the attention of the media worldwide in both developed and developing countries. When one looked at the current world economic situation, it was clear that many developing countries were now performing well economically, but a firm resolve to deal with the overwhelming problems that weighed upon the poorest countries lay at the core of the Board's work.

UNCTAD had tuned itself to the realities of a rapidly changing world by striving to reach all actors in development, including key decision-makers in the private sectors - an aspect that was clearly visible in the arrangements made for the high-level segment of the Board. He hoped that all participants in the Board, in working together, would devote their experience, wisdom and competence to the successful implementation of the outcome of UNCTAD IX.

4. The **Secretary-General of UNCTAD** said that the reform process which he had undertaken in UNCTAD since UNCTAD IX had taken longer than expected in view of the complexity of the problems. As a result of the reforms, the eight Divisions in existence before Midrand had now been reduced to four Divisions dealing with the main areas of work agreed upon in the Midrand final document. Henceforth, the analytical work, consensus-building and technical cooperation related to LDCs would be dealt with by the four Divisions in their respective spheres, each Division having a focal point for this purpose. He was currently seeking the best possible candidate to fill the post of Special Coordinator for Least Developed, Landlocked and Island Developing Countries.

5. In general terms, the restructuring of the secretariat had resulted in reduced costs and greater efficiency. Professional posts had been reduced by 12.5 per cent, while posts in the General Service category had been reduced by 11.1 per cent. In other words, one in eight regular UNCTAD staff members had gone. Moreover, the decrease in the number of meetings days per year agreed upon in Midrand would lead to considerable savings in the United Nations budget. The fundamental aim was to achieve a performance-driven organization that was more and more relevant to the development needs of the most needy countries - an organization that was fully accountable to its member States. He urged delegations, for their part, to avoid reopening questions that had been resolved or engaging in micro-management of the secretariat's activities. There was now a need for a period of stability to facilitate the implementation of the Midrand provisions. Monitoring of progress would henceforth be an integral part of the new management style, and the secretariat stood ready to be judged on results. But in view of the difficulty of the tasks that lay ahead, he appealed to member States to maintain a sense of proportion in passing judgement on the secretariat's efforts.

6. The recent substantive work of the secretariat had been inspired by a reflection on the success of the South-East Asian economic experience. The secretariat had come to the conclusion that there were lessons in the South-East Asian experience that could often be replicated to advantage by developing countries, including LDCs, in other regions. The original development aims of UNCTAD remained at the centre of its functions and its raison d'être. But with the approach of the year 2000, it was appropriate to look closely at what changes had been taking place in the practical and theoretical aspects of development. One could begin by taking stock, before moving on to an examination of the challenges posed by the next millennium. What were the factors and circumstances which today conditioned development and which had simply not existed back in the 1960s? How could the qualitative aspects of development be emphasized along with the quantitative factors, in order to improve the quality of life of ordinary people? In focusing attention on income distribution and poverty alleviation, UNCTAD would have to tackle the problem of how to reconcile economic growth with social equality -

an issue that called for in-depth research. Then again, there was the question of ensuring the sustainability of development, so that future generations would inherit an enhanced environment and would not blame the people of today for having wasted natural resources.

7. Accordingly, UNCTAD's intergovernmental meetings and its reports would need to be so structured as to make a clear contribution to all these new and emerging aspects of development, and the technical cooperation activities should be geared to translating UNCTAD's work into practical assistance and advice that would help countries to integrate fully into the development effort. Working within the United Nations system in the areas of trade, investment and development, UNCTAD had a duty to generate sound reasons for optimism, so that the globalization of international trade would come to be seen, not as a threat, but as a means to improve the living standards of all peoples.

8. The spokesman for the **Group of 77 and China** (Cameroon) said that this session of the Board, the first to be held after the milestone of UNCTAD IX, was set to become one of the most significant in the history of UNCTAD. The integration of developing countries into the global economy was a major challenge to the international community. Unless intensive efforts were made to help these countries to benefit from the process of global trade liberalization, many of them would risk being marginalized in world trade, investment, commodities and capital markets. In the new international trading environment there were indeed new opportunities for all developing countries, but also new risks. The Trade and Development Report 1996 (TDR) hinted at the potentialities for export-oriented industrialization in the globalizing division of labour in the production of manufactures, and made a number of concrete proposals for developing countries on how to make best use of the new opportunities. There could be no doubt that coherent strategies for trade and industrialization were essential at the national level to reach the desired results. But in a highly interdependent world economy, the international trading environment was equally important for successful outward-oriented development. Intensified South-South cooperation was an important ingredient in developing countries' efforts to achieve rapid export-oriented industrialization. New ideas, such as that of an international marketing and information service to assist developing countries in formulating their export strategies and to avoid terms-of-trade losses, as stated in TDR 1996, were very interesting. But it was also crucial for the success of export-oriented development that the developed countries fully honour the commitments they had made in the Final Act of the Uruguay Round, in order to assure greater market access for the developing countries.

9. The problem of high and rising unemployment in a number of major industrialized countries had important implications in this respect. The way in which the developed countries tackled this problem would influence the potential of developing countries to accelerate their economic and social development and to succeed with their outward-oriented policies. It was essential that the problem of unemployment in developed countries should not be solved at the expense of the developing world, and that trade liberalization in the developed countries be completed. The developing countries themselves had already made huge efforts to liberalize their external trade, and their imports of manufactures contributed significantly to

employment creation in the developed countries. But the size of these imports was determined by the purchasing power of the developing countries, via rising earnings from exports of manufactures, better prices for primary commodities and sufficient access to external finance.

10. Regarding the availability of external financing from international capital markets, there continued to be great disparities among developing countries. Only a minority of these countries was in a position to raise significant amounts from this source. The great majority remained heavily dependent on official financing. Moreover, the debt problem of many poor countries was far from being resolved. The recent initiative taken by IMF and the World Bank to tackle the debt of the heavily indebted poor countries in a comprehensive way was most welcome, implying as it did a significant reduction in their multilateral debt burden. However, the utmost flexibility should be applied to the eligibility criteria related to debt relief, so that all heavily indebted poor countries could benefit from it.

11. The Group of 77 and China believed that UNCTAD had an important role to play in promoting a better understanding of the issues involved in the discussion of the Multilateral Agreement on Investment and in helping countries determine their position regarding future developments in the multilateral treatment of foreign direct investment. A better understanding of the role of foreign direct investment, the complex linkages of trade and investment, and the dynamics of business globalization was a precondition for any further development of international arrangements dealing with foreign direct investment. Today, more than ever before, if developing countries sought to trade on a more equal basis, they would need massive investments in all areas. Knowledge and mastery of new technology were more necessary than ever for efficient production and trading.

12. The Group of 77 and China had also noted with satisfaction the progress report covering the UNCTAD secretariat's activities addressing the situation in Africa. The implementation of the New Agenda, adopted in 1991, had a degree of success, contributing to a more favourable climate for international development cooperation. More African countries had made significant progress in a number of key areas in 1995 as compared to 1991. There were, however, a number of critical issues that still required greater efforts during the mid-1990s and beyond, in particular when Africa had to face the challenge of the post-Uruguay Round trading environment. Africa as a region had yet to show tangible signs of a strong recovery and sustained growth. The region's share of world output and trade had continued to shrink, whereas its population had continued to grow. Economic performance in many countries of the region was still characterized by low productivity, management difficulties, and failure to diversify from a narrow production and export base.

13. The Group of 77 and China noted with concern that only limited progress had so far been made in the implementation of the Paris Programme of Action for the Least Developed Countries for the 1990s. Despite this, the LDCs and the island developing countries themselves had, in the face of serious domestic and external difficulties, been implementing economic and political

reforms in accordance with the spirit of the Paris Programme of Action. It was therefore imperative that these efforts be fully supported by their development partners, particularly through an increase in external resource flows, urgent and decisive reduction of the debt stock and debt-servicing burden of the LDCs, and improved market access for their exports.

14. There were a number of issues to which his Group attached great importance and it therefore looked forward to an in-depth discussion on the diverse measures necessary to implement the recommendations of UNCTAD IX. Such concerns included the dwindling resources available for technical cooperation, particularly for LDCs and the small island countries. His Group also wished to find an acceptable solution for increasing the participation of developing-country experts in the work of UNCTAD and looked forward to innovative ideas in this regard. With regard to UNCTAD's publication policy, the Group of 77 wished to seek ways and means for strengthening UNCTAD's analytical and intellectual capacity-building, as envisaged in the Midrand final document.

15. The future role of the developing countries in UNCTAD would depend on how the Midrand Declaration and A Partnership for Growth and Development and the mandates of the new Commissions were translated into work programmes and implemented. Serious dialogue and discussion in UNCTAD could, at some point, lead to national and international policy decisions. The achievement of goals agreed upon at Midrand was dependent on the effectiveness of in-depth review, monitoring and follow-up of the substantive recommendations of the Conference. The Commissions and the expert meetings to which they gave rise were expected to function by identifying issues based on high-quality analytical work; intergovernmental consultations, dialogue and interaction aimed at seeking convergence; and, where appropriate, cooperation and action. The forthcoming meetings of the Commissions and experts would present all parties with new challenges, and their loyalty to the Midrand Declaration and A Partnership for Growth and Development would be put to the test in the drive to translate the provisions into operational reality. He trusted wholeheartedly that the international community would soon find the necessary resolve to deal with the problems of the developing countries, so that all countries could benefit from the fruits of their commitments.

16. Brief interventions in support of the statement delivered by the representative of Cameroon on behalf of the Group of 77 and China were made by the spokesmen for the **Asian Group** (Pakistan), the **Latin American and Caribbean Group** (Cuba), the **African Group** (Kenya) and the **least developed countries** (Bangladesh).

17. The representative of **Ireland**, speaking on behalf of the **European Union**, said that the European Union had welcomed the successful outcome of UNCTAD IX and was strongly committed to its full implementation in both letter and spirit, believing that it provided UNCTAD with a clearly defined work programme related to trade and development issues. She saw the past year as a watershed in UNCTAD's history - a year in which the international community had conducted a fundamental analysis of UNCTAD's role in a globalizing and liberalizing world economy, resulting in a common conclusion about the future

direction, necessary work and institutional structure of UNCTAD. The European Union believed it was now time for UNCTAD to focus on the issues of substance set out in its work programme, building on the foundations established at Midrand and refraining from reopening debates which had been concluded at UNCTAD IX. The States members of UNCTAD must ensure that their dialogue focused on the real needs of developing countries and must seek action-oriented results.

18. At its current session, the Board had two central functions. Firstly, it must review several key policy issues from a trade and development perspective. In this area the European Union looked forward, in particular, to a discussion of the Trade and Development Report's interesting analysis of East Asia's development experience and the lessons it might have for other developing countries. Secondly, the Board had to undertake important managerial tasks essential to the future efficient functioning of UNCTAD, on which the Union expected detailed discussions in such areas as UNCTAD's technical cooperation activities and UNCTAD's publications policy. She believed that the President and the Bureau of the Board would work to ensure that discussions in the Board and in the Commissions were structured and coordinated so as to permit a real and substantive debate. To that end, the Union encouraged efforts to move away from the traditional exchanges of lengthy formal statements of position on individual items. The collective efforts of the Board membership during the current session would set the tone of UNCTAD's deliberations for the coming year and constitute an important test of the new UNCTAD.

19. The documents prepared by the secretariat for the current session of the Board amply demonstrated the depth and breadth of knowledge and analysis available in UNCTAD. They pointed clearly to continuing rapid growth in the flows of world trade and investment, as well as to the important opportunities for development which globalization and liberalization were creating. Indeed, UNCTAD's research showed the many benefits which a wide range of developing countries were reaping from the changing patterns of world trade and investment. The European Union was struck, however, by the growing disparities in economic performance among developing countries and the continuing difficulties which the least developed countries faced in taking advantage of these new trade and investment opportunities. This relative marginalization of the LDCs was a particular focus of the EU's attention. A deeper appreciation was needed of the complex range of economic, social and political factors which combined to inhibit the greater participation of LDCs in the world economy. This was something which should be reflected in all aspects of UNCTAD's work programme.

20. In conclusion, she said that the European Union looked forward to arriving at an outcome of the Board which reflected the new spirit of partnership and cooperation founded at Midrand. In particular, the Union looked forward to the high-level segment and would strive to ensure that this innovation in UNCTAD's work, which opened the door to non-governmental participation, was a success.

21. The representative of the **Russian Federation** said that his delegation supported the policy of prompt implementation of the decisions taken at UNCTAD IX, both in the area of creating a new intergovernmental mechanism and

in adjusting the structure and composition of the secretariat to bring it into line with the current UNCTAD guidelines and tasks. He attached much importance to the confirmation and strengthening of UNCTAD's mandate as the core body on interrelated issues of trade and development in the United Nations system. The work of UNCTAD should be based on the principle of universality, which his delegation regarded as the equal right of any country or group of countries to a proper examination of matters of interest to them. A reasonable balance between trade and development problems should be maintained in the activities of UNCTAD - an organization that possessed sustainable comparative advantages in the integrated examination of development-related issues of trade, technology, investment, services and environmental protection. UNCTAD should maintain its position as the most important forum for "running in" these and other emerging questions in the above-mentioned areas, and in searching for solutions to them. This would facilitate their introduction by mutual agreement into multilateral legal disciplines, when this was considered necessary. There should be a more distinct division of authority between UNCTAD, WTO, ITC and the Bretton Woods institutions on the basis of complementarity and comparative advantages, and he called for coordination and cooperation among them to be strengthened in order to achieve synergy and avoid duplication and parallelism in their work.

22. He noted that positive steps had been taken to restructure the intergovernmental machinery in order to make it more compact, economical and transparent, while ensuring adequate coverage of the priority areas of UNCTAD's activity set forth in the Midrand final document. He was delighted to see that UNCTAD activities which were of importance to his country - such as assistance to developing and transitional economies in integrating into the international trade system, restrictive business practices and competition issues, trade in services, the interrelationship between trade and environment, and the impact of economic regionalization on the multilateral trade system - were duly reflected. UNCTAD's technical cooperation activities were highly appreciated, especially for the part they played in the integration of developing and transitional economies into the world trade system, in the full realization of their rights and capacities in the light of the Uruguay Round Agreements, and in facilitating accession to WTO. It was very important to promote this field of UNCTAD activity, ensuring at the same time an effective and transparent control of expenses.

23. Finally, it was important to continue to exploit the valuable analytical potential of UNCTAD in considering the key problems of trade and development, with a view to drawing up practical recommendations to facilitate the adoption of adequate political decisions. While recognizing that UNCTAD's publishing policy should be rationalized, his delegation considered that the two basic recurrent reports - the Trade and Development Report and the World Investment Report - should continue to be published.

24. The representative of **Japan** said that, as all delegations had recognized at UNCTAD IX, full participation of developing countries in world trade did contribute to the alleviation of poverty and generate employment in those countries. The expansion of trade based on comparative advantage was beneficial to both developed and developing countries in the long run. However, developing countries faced various difficulties, particularly in

terms of human and institutional capacity-building, expanding exports and implementing the WTO obligations. All parties had agreed in Midrand that UNCTAD should use its expertise to contribute to the further integration of developing countries, particularly the LDCs, into world trade for the purpose of achieving sustainable development. He therefore emphasized the need to have constructive deliberations on substantive issues at the current session of the Board. While being aware of the problems and difficulties ahead, everyone should maintain a constructive approach with a view to fostering an atmosphere of partnership that would show the world that UNCTAD now had a different approach to the challenges on the international economic agenda. It had been said that UNCTAD IX had marked the renascence of UNCTAD - the replenishment of new ideas and strategies to tackle development problems. It was now time to demonstrate that UNCTAD could produce practical and concrete results.

Chapter I

SEGMENT FOR HIGH-LEVEL PARTICIPATION; SUBSTANTIVE POLICY ITEM: FOREIGN DIRECT INVESTMENT AND DEVELOPMENT IN A GLOBALIZING WORLD ECONOMY

(Agenda item 2)

25. For its consideration of agenda item 2, the Board had before it the following documentation:

"Foreign direct investment and development in a globalizing world economy" - report by the UNCTAD secretariat (TD/B/43/5)

World Investment Report, 1996 (UNCTAD/DTCI/32)

World Investment Report, 1996: Overview (UNCTAD/DTCI/32 (Overview))

26. In the context of paragraph 107 (a) of the final document of UNCTAD IX, the Trade and Development Board recommended, at its thirteenth executive session on 8 July 1996, that the one-day segment for high-level participation should take place during the forty-third session of the Board on 10 October 1996. On that occasion, the Board also approved the three topics that would be addressed by the high-level segment.

27. Accordingly, the high-level segment on agenda item 2 was held throughout the day of 10 October 1996. The high-level segment took the form of an UNCTAD Global Investment Forum, presided over by Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa. The panellists participating in the three panels included Government Ministers and corporate executive officers (CEOs) from all over the world. The programme of the Forum and the participation in the panels was as follows:

Morning

Opening statements by Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa, and Mr. Rubens Ricupero, Secretary-General of UNCTAD.

Business perspectives on foreign direct investment and development: views of the business community

Speakers: Ms. Maria Livanos Cattaui, Secretary-General, International Chamber of Commerce

Mr. Douglas Gregory, Senior Advisor, International Trade and Investment, IBM Canada Ltd.

Panel 1: ***Trends, policies and interrelationships***

Trends in FDI, in particular to least developed countries, their determinants and impediments, and policy implications for the promotion of FDI. Interrelationships between investment, trade and technology, and implications for development.

Chairman:	Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa
Moderator:	Mr. Guy de Jonquières, Business Editor, *Financial Times*
Panellists:	Mr. Farooq Sobhan, Secretary of Foreign Affairs, Bangladesh
	Mr. Abi Woldemeskel, Vice Minister and Deputy Head, Investment Office of Ethiopia
	Mr. Alain Ramaroson, Minister of Industry, External Trade and Crafts, Madagascar
	Mr. Dhundi Raj Shastri, Minister of Industry, Nepal
	Mr. Mohib Ullah Shah, Deputy Minister of Investment, Pakistan
	Mr. Yeo Cheow Tong, Minister of Trade and Industry, Singapore
	Mr. Basoga Nsadhu, Minister of State for Finance, Uganda
	Mr. Peter Brabeck, Executive Vice President, CEO designate, Nestlé S.A., Switzerland
	Mr. John Koo, President and CEO, LG Electronics Inc., Republic of Korea
	Mr. Bill Jordan, General Secretary, International Confederation of Free Trade Unions
Resource person:	Mr. Sanjaya Lall, Lecturer, Development Economics, Oxford University

Afternoon

Panel 2: ***Towards a multilateral framework on investment?***

Examination and review of existing agreements, identification and analysis of issues relevant to a possible multilateral framework on investment and implications for development.

Chairman: Mr. Rubens Ricupero, Secretary-General of UNCTAD

Panellists: Mr. Long Yong-Tu, Assistant Minister of Foreign Trade and Economic Cooperation, People's Republic of China

Mr. I. Adam, Minister for Trade and Industries, Ghana

Mr. B.B. Ramaiah, Minister of State for Commerce, India

Mr. Yoji Ishimaru, Director-General, International Economic Affairs Department, Ministry of International Trade and Industry, Japan

Ms. Danuta Hübner, Vice-Minister of Industry and Trade, Poland

Mr. F. Hamburger, Director for Development Policy, European Commission, Brussels

Mr. Rufus Yerxa, Partner, Akin & Gump Law Firm, Brussels, former Deputy United States Trade Representative

Mr. Thomas Bata, Honorary Chairman of Bata Shoe Organization, Canada

Mr. Martin Khor, Chairman, Third World Network, Malaysia

Resource person: Mr. Monty Graham, Senior Fellow, Institute for International Economics, United States

Panel 3: ***Where do we go from here? Views from regional and international organizations***

Chairman: Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa

Moderator: Mr. James Morgan, Chief Economics Correspondent, BBC World Service

Panellists: Mr. William Rossier, Chairman of the WTO General Council

Mr. Patrick N. Sinyinza, President, Trade and Development Board

Mr. Marino Baldi, Chairman, Committee on International Investment and Multinational Enterprises, OECD, on behalf of the OECD Negotiating Group on the Multilateral Agreement on Investment

Mr. Melito Salazar, Under-Secretary, Ministry of Trade and Industry, and Managing Head of the Board of Investment of the Philippines, on behalf of APEC

Mr. Antonio Kandir, Minister of Planning and Budget of Brazil, on behalf of MERCOSUR

Ms. Joanna Shelton, Deputy Secretary-General, OECD

Mr. Rubens Ricupero, Secretary-General of UNCTAD

* * *

Closing statements by Mr. Rubens Ricupero, Secretary-General of UNCTAD, and Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa. 1/

28. A written message from Mr. Boutros-Ghali, Secretary-General of the United Nations, was addressed to the high-level segment of the Trade and Development Board. The text of the message was circulated in TD/B/43/L.3.

Chapter II

INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: RETHINKING DEVELOPMENT STRATEGIES; SOME LESSONS FROM EAST ASIAN DEVELOPMENT EXPERIENCE

(Agenda item 3)

29. For its consideration of agenda item 3, the Board had before it the following documentation:

Trade and Development Report, 1996 (UNCTAD/TDR/16)

Trade and Development Report, 1996: Overview (UNCTAD/TDR/16 (Overview))

A. Statement by Mr. Renato Ruggiero, Director-General of the World Trade Organization

30. The **Director-General of the World Trade Organization** said that the goals of economic development and trade liberalization were linked in an increasingly interdependent world. The nature of the world trading system had been transformed since the 1940s. WTO rules today encompassed standards, services, intellectual property, trade-related investment and a host of other economic activities. WTO membership now stood at 125 countries, 80 per cent of which were developing countries or countries in transition. Globalization of economic activity and deep integration had greatly reinforced the inherently interdependent and mutually beneficial nature of trade. The international community was no longer writing the rules of interaction among separate national economies, but rather the constitution of a single global economy, and the primary focus should be on advancing the trading system as a whole. Real economic interests were increasingly global and economic security hinged more and more on the strength of others. The clearest manifestation of this was the growing role of the developing countries in the international trading system. Ninety of the WTO's 125 members were in the developing world and 30 of those countries that had applied to join were developing countries or economies in transition. Developing countries were increasingly active participants in the functioning of the system, having initiated about half the requests for WTO consultations or panels in the past 18 months - a large increase in comparison with their share of 10 per cent of the disputes examined by GATT between 1980 and 1994. Developing countries' growing leverage in the global trade system was based on raw economic power: they currently accounted for a quarter of world trade and, if current trends continued, this figure could reach 40 per cent by the year 2010 and over half by 2020.

31. Thus the paradigm for economic development had changed dramatically. While the conventional wisdom used to be that developing economies needed protection, if only temporarily, from international trade and competition, it was now recognized that the opposite was true. Open trade spurred innovation and creativity, fostered specialization and lowered input costs. The old orthodoxy that foreign direct investment posed a risk to development was being stood on its head. Foreign investment had emerged as the central nervous system of the world economy, supplementing domestic savings and increasingly providing the linkage through which flowed investment in production, access to

global distribution networks and mastery of current technologies on which sustained growth now depended. No one stood to benefit more from globalization than did developing countries. All countries now competed for the same investments, markets and innovative edge. In this sense, globalization was a great leveller, and the lines separating the developed, developing and least developed worlds were blurring.

32. Growing trade and production benefited all parties. In 1995, imports of the 10 leading Asian developing countries had amounted to nearly $750 billion. By the end of the next decade, it was estimated that developing countries would buy over a third of industrialized countries' exports. Exports were now more than ever significant for employment. Far from costing the developed world jobs, import demand from the economies in Asia and Latin America had greatly softened the effects of recession; but the developing world's continued growth strongly depended on access to developed-country markets. Although the major developing economies had begun to generate their own internal demand and many had grown rapidly since 1990 without the stimulus of demand in developed countries, they remained dependent on access to services, investment and technology supplied by developed countries.

33. The success or failure of all countries depended on the success or failure of the global community as a whole. At the G-7 meeting in Lyon, where the plight of the least developed countries had been a priority, he had emphasized commitment to four points: full and rapid implementation of the Marrakesh Declaration on least developed countries; improving the market access of such countries by working towards elimination of all tariffs and non-tariff barriers to their exports; helping improve the investment climate for such countries, especially by creating a more level playing field through the negotiation, at the appropriate time, of multilateral rules on investment; and helping build human and institutional capacity by improving the effectiveness and coordination of technical cooperation. He would continue to press these proposals, and hoped the report of the WTO's Committee on Trade and Development to the WTO Ministerial Meeting in Singapore in December 1996 would aid in this cause. All available tools - trade, investment and structural adjustment - must be brought to bear on the problem of the marginalization of least developed countries, and there must be close cooperation between WTO, various organs of the United Nations system, the Bretton Woods organizations, and the various regional bodies to ensure that the resources and expertise of the international community remained focused, coordinated and relevant to the most pressing global needs.

34. Developing and developed countries alike should play a positive role in preparing for the Singapore Ministerial Meeting because of the interests of all in designing the common rules and structures of a shared global economy. Nothing exemplified this new logic of trade policy more than the issue of investment. There was already a consensus that the issues of trade and investment were intimately linked in the context of globalization, and that the issues raised by this linkage needed further examination. The UNCTAD and WTO secretariats were already working together very closely in analysing investment issues, and recent reports published by both of them reflected this collaboration. There was a real possibility in Singapore of reaching an MFN agreement to eliminate all tariffs on a great number of information technology products by the year 2000. The value of trade involved in an Information Technology Agreement would be at least $400 billion, which was more than the

value of the world's total agricultural trade. Singapore would also offer an occasion to explain where the process of globalization - which was changing peoples' lives and sparking an intense debate about jobs, incomes, social standards and the environment - was leading, and to build the bridges between countries required by their interdependence.

B. General debate

35. The **Director of the Division on Globalization and Development Strategies** opened the debate on this item with a statement which drew special attention to the section of the *Trade and Development Report 1996* on lessons from East Asian experience for development strategies.

36. The representative of **Ireland**, speaking on behalf of the **European Union**, pointed out that there was no single Asian development model as each case had specific characteristics. However, there was a consensus on some common features of most, if not all, successful economies.. These included macroeconomic stability, high rates of domestic saving, maintenance of sound financial intermediaries, high priority given to human resource development (especially to high-quality primary and secondary education), competitive exchange rates, export orientation, a supportive environment which rewarded entrepreneurship and allowed open and constructive dialogue between government and the private sector regarding objectives and policies, and governance which balanced the promotion of social cohesion and consensus with that of competition between individuals and companies.

37. There was substantial overlap between the classical framework of structural adjustment and the common features identified in the Asian experience. Both indicated that the private sector should play the central economic role, without needless bureaucracy and controls on business activity; that the policy environment should provide macroeconomic stability and a competitive exchange rate, and that it should support an internationally competitive private sector; that public services and infrastructure should be efficient and effective; that fiscal deficits should be curtailed to allow mobilization of savings for investment, and that public expenditure should accord priority to human-resource development; that financial institutions should inspire confidence and offer positive real interest rates; that export industries should have ready access to imported inputs; and that labour markets should be sufficiently flexible.

38. The European Union broadly supported a general approach along these lines. The main differences between the Asian policy approach and that promoted by the EU in its economic cooperation related to protection against imports and government *dirigisme*, especially with regard to selecting and promoting new industries via State intervention. The latter practice had resulted in very uneven success both among Asian countries and elsewhere, and had in some cases strongly undermined growth capacity.

39. He observed that whereas the first tier of newly industrializing economies in Asia were compelled to focus their export drive almost exclusively on industrial-country markets, there was now scope for increased trade among developing countries. Likewise, there were now many alternative sources of foreign investment for developing countries, including the more advanced developing countries. Commenting on the need to assist many

developing countries, especially the least developed countries, with the promotion of exports, he said the EU had taken note of the suggestion in the *Trade and Development Report 1996* for establishing an international marketing and information service, but was of the view that such assistance should take place at a level as close as possible to the relevant industry and be based upon detailed understanding of export capabilities. This task was, he felt, already an important activity of the International Trade Centre UNCTAD/WTO and was also included in bilateral development assistance.

40. Finally, he stated that the European Union wished to place on record its objection to the argument put forward in the *Trade and Development Report* that European economic and monetary union would prove to be a deflationary process.

41. The spokesman for the **Latin American and Caribbean Group** (Cuba), commending the Secretary-General's efforts to finalize the restructuring of the secretariat, emphasized the need henceforth for stability in order to enable UNCTAD to continue playing a useful role in world development.

42. He noted with disappointment from the *Trade and Development Report 1996* world economic growth in 1994 and 1995 had been below expectations, and was expected to remain so in 1996. This slow growth of the world economy, which was largely due to deflationary policies in the developed countries, especially in Western Europe, was a serious threat to globalization and was having negative effects on the developing countries. He considered the *Report*'s view that economic prospects for the South were now more brilliant than those for the North to be over-optimistic, because rapid growth in the South remained limited to a small number of countries. In Latin America, in particular, the modest regional growth rate of 2.5 per cent forecast by the *Report* would not allow for a significant increase of per capita incomes in 1996. However, one positive element was the performance of Chile, which had been able to maintain growth rates comparable to those of East Asian countries, while maintaining macroeconomic stability. He suggested that a case study on Chile might be carried out in the framework of the Commission on Investment, Technology and Related Financial Issues, in order to single out useful aspects of that country's experience which could be applied to other countries in the region, especially in the field of investment promotion.

43. In the view of the Latin American and Caribbean Group, the secretariat's recommendation of an increase in domestic savings and investment and of greater export competitiveness was very difficult to carry out for developing countries which were still facing protectionist barriers in developed countries' markets, and were hampered by a lack of international financing on reasonable terms. Indeed, the *Report* recognized that private capital flows were benefiting only a handful of countries, and most developing countries were as dependent as ever on official financing, including export credits. His Group therefore proposed that the secretariat analyse alternative credit mechanisms, and urged the developed countries to understand the South's financing requirements.

44. He expressed agreement with the *Report* on the urgency of reforming the planning and institutional framework of development policies in many developing countries. On the issue of replicating the East Asian export-led success, he felt that many interventionist policies applied in that region in the past were probably not feasible for other developing countries in the

current international situation. This left open the question of the right development strategy for these countries, taking into account national and regional characteristics. While acknowledging the central importance of national policy efforts aimed at macroeconomic adjustment, he underlined the need for adequate international support. Many countries in the Latin American and Caribbean region had carried out processes of structural adjustment and reform of their economics and re-established the basic conditions needed to gain access to external credits. This costly and difficult national adjustment effort needed to be complemented by adequate international economic and financial support measures on the part of the international community. At this stage, it was necessary to draw up the key elements of this international dimension that might serve to underpin the reform processes of these countries. Moreover, promotion of economic cooperation among developing countries, mainly structured around regional and subregional integration, was also extremely important.

45. The spokesman for the **Asian Group** and **China** (Pakistan) said that, while global interdependence was already a reality, the globalization process was intensifying interdependence by bringing economies even closer together and making them more dependent on each other. Globalization was neither totally benign nor totally harmful. It offered opportunities and involved costs. The opportunities had to be identified and exploited in such a way that globalization did not become a process in which the winners took all, thus widening the gap between those able to reap the gains of globalization and those left behind. The enormous human and social strains of globalization could be minimized by stimulating sustained economic growth, particularly in the major industrialized countries. He therefore noted with concern the continued slow recovery in the industrialized world, particularly in Western Europe. Deflationary policies adopted by the developed countries had contributed to this situation.

46. There were two other issues deserving immediate attention. The first was the instability in international financial markets. He noted with satisfaction the initiative taken by the IMF to face such a situation in the future but felt that the proposal put forward by the G-24 for multilateral coordination and surveillance of macroeconomic policies of industrialized countries should be given serious consideration. The second issue was the problem of debt, which continued to haunt many developing countries. The recent initiative taken by the World Bank and IMF, with support from the G-7 and Paris Club Creditors, was encouraging. However, the initiative fell short of the expectations of the heavily indebted poor countries in three respects: the debt sustainability criteria were still restrictive; appropriate flexibility was needed in determining country eligibility; and a more realistic time-frame for eligibility should be offered.

47. The sustained export-led growth and development in the East Asian countries was extremely important for their developmental efforts, and great interest attached to the question of whether this could be replicated by other developing countries. Many in the developing world had not been satisfied by the neo-classical approach adopted by the World Bank in its assessment of the Asian development experience, and UNCTAD had made a useful contribution to this ongoing debate. The *Trade and Development Report* had gone beyond the traditional argument put forward by the World Bank in various respects: first, by emphasizing the need to establish a dynamic interaction between

exports and investment; secondly, by showing the importance of mobilizing and making full use of natural resources and abundant, unskilled labour and of continuously upgrading industries and moving up the technological ladder; and thirdly, by pointing to the challenges for government policies involving new forms of intervention to support a dynamic process of development. However, the debate on the East Asian miracle was far from over, and there were still many questions which needed to be answered. These related to the vulnerability of countries dependent on FDI, the more restricted role that government policies could now play and the strongly regional nature of the East Asian experience. Concerning this last issue, he pointed out that newly industrialized economies could become the source of FDI as well as markets for the products of other less developed countries. He therefore urged UNCTAD to study this dimension of East Asian development in greater depth. Finally, he expressed disappointment at the failure of the *Trade and Development Report* to discuss the actual impact of new trading opportunities created by the Uruguay Round Agreements on the exports of developing countries, and he called on the secretariat to devote a section of next year's Report to this aspect.

48. The representative of **India** considered the examination in this year's *Trade and Development Report* of the success of the East Asian developing countries to be particularly useful in view of recent rapid changes in the international economy. Important lessons to be learned from the Asian experience in such areas as investment and savings, research and development and regional policies. On the basis of a policy of gradual reform, India had been able to achieve a remarkable level of output growth, surpassing that of the Asian region as a whole. But the overall picture was disconcerting for developing countries which continued to face difficult external situations, shrinking ODA flows and inadequate international assistance.

49. He shared the view that the Uruguay Round Agreements provided new opportunities for developing countries on the one hand, but reduced their policy autonomy on the other; and that some policy options once successfully employed by East Asian countries were no longer viable. He drew attention to the *Report*'s conclusion that the economic success of East Asian countries was based on a mix of policy intervention and market forces which ensured that rapid capital accumulation and technological progress were matched by corresponding progress in export growth and diversification. With regard to the international policy discussion in the aftermath of the Uruguay Round, he felt that the growing tendency to focus on globalization had diverted government and international organizations from giving adequate attention to country-specific development issues.

50. While recognizing the importance of the promotion by developing countries of South-South cooperation, he expressed concern at protectionist uses of the existing rules of the multilateral trading system, particularly the attempt on the part of some developed countries to introduce new issues not directly related to trade into the WTO agenda. The multilateral trading system would not be best served by an involvement in non-trade issues such as investment, labour standards, competition policy, government procurement, immigration and corruption. In addition, he believed that any further liberalization of international trade should give primacy to the interests of developing countries. Indeed, any arrangement or system that accentuated existing global disparities was to be rejected.

51. The representative of **Norway** congratulated UNCTAD on the innovative way in which the discussions on interdependence and investment had been undertaken during the current session of the Trade and Development Board, with the active involvement of the private sector and the civil society in UNCTAD's work. Stemming from the decisions taken in Midrand, this approach could serve as a model for intergovernmental processes in other United Nations organizations. UNCTAD had been re-established in Midrand as a politically interesting and economically relevant organization which was in charge of key development issues not covered by other United Nations bodies. This new impetus had given UNCTAD a breathing space, but its capacity to implement the decisions taken by Member States must be demonstrated on a continuing basis and the secretariat needed to be assured that it had the support of member States in this endeavour. Questions related to LDCs were of cardinal importance, and his Government would hold UNCTAD accountable for its commitment towards the LDCs. These questions should be dealt with as a cross-cutting issue in UNCTAD's activities.

52. He believed that the Secretary-General of UNCTAD urgently needed to address the improvement of UNCTAD's capacity to link the analysis of integration and globalization with policy implementation, i.e. the sequencing of policy analysis, policy development at the country level and technical assistance. His country was ready to enter into a dialogue with UNCTAD on increased support for technical cooperation activities, provided that activities were focused and the planning procedures agreed upon were set in motion. Restructuring the secretariat should not undermine its technical cooperation activities; they should be pursued on the basis of common guidelines and coordinated in a central unit of the secretariat. A successful conclusion of the reform process in UNCTAD was of interest to the United Nations system as a whole, and he shared the concern of the Secretary-General of UNCTAD at the insufficient knowledge in New York about the reform process taking place in Geneva-based organizations.

53. As for the issues dealt with under agenda item 3, he considered that both the economics and policies of globalization were complex and the challenge for policy-makers was to weigh the various needs and demands, while ensuring that economic progress was politically and environmentally sustainable, and that it took account of the interests of the whole population.

54. The representative of **China** said that continued publication of the *Trade and Development Report* was essential for understanding and assessing the global economic situation as well as for the fulfilment of the mandates of UNCTAD. While a number of developing countries in the state of backwardness were gradually taking the road to economic revival, the gap between developed and developing countries as a whole was still widening. Most developing countries still suffered from the serious constraints of an unfavourable external environment in their efforts to achieve economic and social development, and were also faced with the danger of being marginalized.

55. He agreed with the assertion in the Report that exports to and investments from developed countries have been an important driving force for the East Asian economic growth, which in recent times had been the most vigorous in the world. Developed countries could intensify these processes, thereby giving a further impetus to economic development of developing

countries. However, there was an unfortunate trend towards intensified protectionism in major developed countries, at the very time when developing countries had been further opening up their economies. This trend would harm the interests of developing countries but eventually those of developed countries as well. Only by strengthening exchange and cooperation on the basis of equality and mutual benefits could solutions be found to the new problems.

56. It was imperative that each country formulate policies for economic and social development in accordance with its own national conditions. Differences in the levels of economic development must be recognized so as not to force developing countries to keep rigidly in pace with developed ones in the process of liberalization of trade and investment. In this regard, the legacy of some developing countries in terms of lessons and experiences was far-reaching.

57. The increasingly complicated international relations resulting from globalization of the world economy had resulted in a greater need for multilateral frameworks. The invitation to the Secretary-General of the United Nations and the executive heads of the World Bank, IMF and WTO to the recent G-7 Summit was a welcome first step in this direction. He was pleased to note that the South-South Conference on Trade and Finance, to be convened in Costa Rica in January 1997, would attract attention to the importance of South-South cooperation, and would formulate new strategies and programmes of action.

58. By continuing its policy of reform and opening its economy to the outside world, China had maintained an excellent economic growth rate, which was expected to reach 10 per cent in 1996; and inflation was expected to be under 10 per cent. This year had also witnessed the launching of the ninth "Five-Year Plan" and the long-term objective outline for the year 2010. Goals included quadrupling the average per capita GNP of 1980 by the year 2000, doubling the GNP of the latter year by the year 2010, and evolving a more perfect socialist market economy. But although China's efforts in the coming 15 years further might enhance the country's overall strength, it would still remain a developing country. China was ready to join other countries in common efforts to achieve economic development and to contribute to the promotion of peace, stability and development.

59. The spokesman for the **African Group** (Morocco) said that it was difficult to be optimistic about the possibilities for the African continent to achieve economic and social development, given the negative net external financial flows experienced by the region. The slight improvement in commodity prices in 1995 had been largely offset by two interdependent factors: lack of access to international capital markets and high debt-service payments. These two problems had been compounded by unstable foreign-exchange markets. Describing selected external and internal features of Africa's economic situation, he said that the share of African countries in world production and trade continued to decline. In addition to problems linked to instability and weather conditions, the economic situation in many African countries had been affected by poor productivity, difficulties in management, failure to diversify exports, and vulnerability to the international economic environment. Moreover, Africa's share of FDI remained small and bold measures had yet to be taken to deal with the debt problem of African countries. The

recent initiative on debt was most welcome, but he regretted that it had not been possible to reach a consensus on its financing. He was convinced of the necessity and urgency of bolder measures to solve the debt problem, which constituted a major obstacle to development in many African countries.

60. The African Group was interested in the conclusion of the *Trade and Development Report* that major features of the East Asian development model could be replicated in other countries provided that the North did not close its markets. South-South cooperation could help to compensate for the lack of access to export markets in the North and for the slow growth of the developing countries. Every effort should be made to help African countries to draw lessons from the East Asian development experience - a task for which UNCTAD was fully qualified.

61. The representative of **Ethiopia** commended the extensive coverage of the debt issue in the *Trade and Development Report* and thanked UNCTAD for technical assistance provided in debt negotiations and with respect to the installation of debt-management software. He welcomed also the ongoing efforts of IMF and World Bank to formulate a solution for the debt burden of the heavily indebted poor countries, including Ethiopia, as well as the United Nations Special Initiative for Africa, which was governed by the principle that African countries had the primary responsibility for reversing poverty. Noting that the analysis presented in the *Trade and Development Report* of the lessons of the East Asian experience had given extensive coverage to the role of manufacturing, he pointed out that the transformation of the agricultural sector during the early stage of economic development in Japan also offered important lessons for Africa generally, and in particular for Ethiopia, which was an overwhelmingly agrarian country.

62. In his view, the main obstacle to faster economic growth in Africa was a supply-side constraint. Upgrading physical infrastructure and developing human resources were important measures for relieving this supply-side constraint - measures in which UNCTAD could play a vital role. Despite the progress of globalization, external financing remained a critical constraint for the LDCs. Thus significant improvements in the flow of investment and other resources should be accorded the utmost importance. This was another area in which UNCTAD had a role to play.

63. The representative of **Belarus** said that the creation of an environment conducive to growth and sustainable development should take place primarily at the country level, in line with the Midrand idea that countries should bear the main responsibility for their own development. However, as interdependence increased, internal economic processes were more and more affected by external conditions. Thus the creation of an external environment conducive to growth and development was central to the agenda of the world community, including international organizations such as UNCTAD.

64. The *Trade and Development Report 1996* showed that the world economy was growing unevenly. Some countries were achieving considerable success in their development, while others were still searching for a way out of their crises. Belarus belonged to the latter group. The recent "Programme of Belarus for Social and Economic Development up to Year 2000" took account of both positive and negative aspects of the current economic situation and outlined ways to overcome current difficulties. The country's economic stabilization measures

were already bearing fruit: the economic decline was bottoming out and inflation rates had sharply decreased. It was now the Government's intention to develop modern exports on the basis of attractive investment policies. The country also intended to join the multilateral trade arrangements.

65. Although he was of the view that the development experience of East Asian newly industrialized countries could not really be replicated, he felt that many useful lessons for other countries could be drawn from their experience. Thus Belarus was especially interested in the successful experience of the first-tier Asian countries in developing science-intensive production and in improving the efficiency of their production in terms of energy and materials. His own country still had to overcome many difficulties related to lack of natural resources, to the necessity to downsize material and energy production, to the need to attract foreign investment, and to factors that were hampering the efforts to reduce unemployment.

66. The representative of **Switzerland** commented favourably on the quality of this year's *Trade and Development Report*, although he objected to the inclusion of such subjects as the debt of developing countries which had been de-emphasized among the new priorities for UNCTAD agreed at UNCTAD IX. Moreover, he disagreed with the analysis that weak growth and high unemployment in Europe were due only to tight fiscal policies, the effects of which should be compensated by a less restrictive monetary policy. The Swiss authorities were convinced that only a healthy fiscal and monetary policy would be able to guarantee the macroeconomic stability that was the basis of durable growth. Europe's unemployment problem was due to structural rigidities in the labour market, which retarded the adjustment of European economies to globalization. Labour market reform in the direction of greater flexibility would thus be more appropriate in solving Europe's unemployment problem.

67. Turning to the question of whether the industrialization experience and rapid development of East Asia could be a model for other developing countries, he noted that the Report had shown the positive role of exports in the development of East Asian countries. Export earnings had constituted an important source of finance for investment in the development of productive capacities. Trade liberalization as a result of the Uruguay Round was essential in improving developing countries' access to the markets of both industrialized and other developing countries. Liberalization should encourage some countries to apply the positive experience of Asian countries and to open their markets.

68. He was convinced that the laws of the market would automatically determine victory in competition for products and export markets, and that this process would benefit developing countries. Consequently, the proposal to establish in UNCTAD a marketing and information service to orient developing countries towards promising markets was not very sound. In his view, the role of Governments was to create a stable macroeconomic and political environment, to put in place a competent and effective administration, and to create a juridical framework that favoured private investment and guaranteed the maximum development of human resources. The example of East Asian countries had demonstrated the validity of this concept.

69. Finally, he reiterated the suggestion made already by his delegation one year ago that, in order to ensure that the significant resources devoted to the TDR had maximum impact, it was imperative to distribute the report in all the official languages at least two, and preferably three, months before the session of the Board. All delegations and their capitals should have an opportunity to study the report in their working language, but this was not yet the case. Furthermore, his delegation considered that the debate in the Board would gain in depth if the report was focused more sharply on a single topic defined by the member States in a way that responded clearly to their needs and expectations. To that end, the topic should be chosen at least one year earlier.

70. The representative of **Japan** expressed his appreciation for UNCTAD's initiative in taking up the lessons of the East Asian development experience. His Government had supported, and would continue to support, UNCTAD's efforts to explore the applicability of East Asian experiences to other regions, particularly to Africa where many LDCs had been marginalized in the process of the globalization.

71. He drew attention to two major points made in the *Trade and Development Report*. Firstly, developing countries were not necessarily placed in a more disadvantageous position in the post-Uruguay Round period than before. While some policy options that had been available to East Asian countries were no longer compatible with current international rules, developing countries, particularly the LDCs, had been granted the benefit of a longer transitional period. Furthermore, new opportunities for these countries had also been provided by the Uruguay Round. The second important point concerned the role of the first-tier newly industrializing countries. By providing markets and investment to the second-tier economies, they had promoted not only South-South cooperation but also regional dynamism in East Asia. This could provide lessons for other regions.

72. Aspects of East Asian development experiences identified by UNCTAD and still valid included the following: firstly, domestic saving could be developed by postal savings and cooperative savings in a country where the financial sector was not highly developed; secondly, the Government could utilize these savings for investment in the industries of the future; thirdly, the Government could play an important role in the building of human and institutional capacity; fourthly, the proper relationship between the public and private sectors involved both cooperation and discipline; fifthly, the large increase in inflows of FDI in East Asian countries had resulted from effective policy management, including the relaxation of foreign exchange controls and the promotion of transparency regarding investment rules; and sixthly, the improvement of local infrastructure should receive particular attention by the local government - a policy which would be supported by Japanese ODA. In applying the lessons of East Asian experiences to other regions where institutional structures remained underdeveloped, Governments should take a gradual approach involving initially the dissemination of information, vocational training and industrial technology enhancement rather than highly complex policies providing incentives to particular economic activities.

73. The representative of the **Islamic Republic of Iran** expressed concern that the *Trade and Development Report*'s forecast of slow world economic growth reflected the effects of the unequal access of developing countries to external lending and FDI. However, these countries had made great efforts to adjust to meet the new challenges, performing especially impressively in international trade. Although the UNCTAD secretariat had dealt with the subject of East Asian development twice in the *Trade and Development Report*, there was still a need for concrete analysis of the historical and socio-economic context in which the models pursued by countries in that region had evolved. While some elements of the experience could be used by other developing countries, adjustments would be required, especially owing to the fact that the new multilateral rules left developing countries with less scope to support potentially viable new industries.

74. UNCTAD's debt support programmes needed to be dynamic and flexible and its technical cooperation activities deserved support. The scope of UNCTAD's discussion on investment issues should be expanded. The savings resulting from the restructuring of UNCTAD could be recycled into technical cooperation which should also cover social and economic development and poverty alleviation. The latter subject could be included in a future *Trade and Development Report*.

75. The representative of **Indonesia** said that, for more than two decades, the East Asian countries, including Indonesia, had enjoyed unprecedented rates of economic growth. A combination of favourable developments and sustained domestic policy reforms had enabled the countries of this region to record a strong growth performance in recent years. The end of the recession in the industrial countries had favourably influenced exports from the region, which had also received a considerable inflow of foreign direct investment and other external financial flows, although these had remained concentrated in a few countries. Most countries in the region were committed to liberalization and deregulation. However, their remarkable achievement could not be attributed to a single model of economic development, but reflected the pragmatic response of policy makers to specific sets of problems. Nevertheless, there were a number of common features: all were market economies that encouraged private entrepreneurship; all had adopted a strategy of export-oriented industrialization coupled with prudent macroeconomic policies; and all had benefited from a situation of relative peace and stability in the Asia-Pacific region.

76. Indonesia's experience illustrated the region's rapid transition from an economy where, just over a quarter of a century ago, 60 per cent of its population had been classified as poor to one where an annual average growth of 7 per cent had been sustained over two decades, and where the incidence of absolute poverty now affected less than 14 per cent of the total population. Yet Indonesia's development agenda was in no way complete. Higher growth was rapidly creating a stronger market economy. At the same time the country had reached a particularly difficult stage of development which would require significant forbearance and support from its development partners. Clearly the challenge for developing economies in East Asia was to sustain the dynamism achieved over two decades. It was a formidable challenge which could none the less be met by recourse to the same strategies that had brought about economic dynamism in the first place.

77. The representative of the **Organization of African Unity** noted from this year's *Trade and Development Report* that annual GDP growth in Africa was now at a rate of about 3 per cent, an outcome accompanied by an improvement in commodity prices but also by a continued decline in both official and private capital inflows. He was alarmed to find, however, that African countries which performed well would need to sustain their current rate of growth for more than a decade in order to restore real per capita incomes to their levels of 20 years ago. This was a highly unsatisfactory situation which called for a new generation of structural adjustment programmes to address the strategic issues of African development including infrastructure, institutional capacity-building and related supply-side matters, diversification, regional cooperation and market development.

78. There were two main lessons from the East Asian experience for generating and accelerating growth in Africa. One concerned the diversification and processing of natural resource-based products in line with the experience of the resource-rich "second-tier" newly industrializing economies of East Asia, and the other concerned the dynamism of a market-driven approach to regional cooperation, where trade and investment served as vehicles for transferring new goods and technology among countries.

79. He considered the Treaty Establishing the African Economic Community, which had come into force in 1994, to be an appropriate framework in which member countries could adopt new orientations for their economic policies and new modes of cooperation. There was also a need for further attention to be paid to Africa's external financial constraints. The consensus on the need for concerted action here, which was reflected in the recent announcement of a new debt reduction initiative by the World Bank and IMF should be extended to include action to stimulate investment flows. In view of the acute external financial constraints and low levels of domestic savings in most African countries, there was a pressing need to improve their capacity to attract foreign investment, in the process drawing investors' attention to the considerable opportunities existing in all major economic sectors, namely natural resources, agro-industry, other manufacturing, tourism, other services, and infrastructure. However, in regard to the proposed Working Party on a Multilateral Investment Treaty within the framework of the WTO, he believed this matter should be studied carefully before being taken up at WTO - a rule-making body - as recommended by the African Ministers of Trade, Regional Economic Integration and Tourism and their session in February 1996.

80. The representative of **Sri Lanka** said that interdependence was no longer an article of faith for developing countries only, for the fundamental changes taking place in terms of inter-penetration of national economies, the emergence of multi-polar economic centres of power and the new technological revolution would further strengthen interdependence. However, too little attention was being paid to its implications for the deep-seated problem of poverty. The international community had been preoccupied with the macroeconomic aspects of economic growth on the assumption that this would trickle down to the poor. But this trickle-down process had not worked satisfactorily. An underlying cause of the development crisis was the contraction in external financing and the deterioration of the external environment. Inappropriate policies of debtor countries might have contributed to the debt crisis but the resulting drop in investment and

capacity had created imbalances in the trading system and put the entire financial system under great stress. A comprehensive approach to this problem was required.

81. East Asian experience had shown that modernization of traditional technologies combined with economic reforms to raise the productivity of the informal sector could encourage the passage to a free market economy. But in linking rural areas to the modern sector it was necessary to go beyond the conventional approach. It was the pursuit of sound economic policies that had enabled the countries of East Asia to register investment rates in the range of 30 to 35 per cent of GDP and double-digit annual rates of economic growth. High growth, in turn, meant high levels of employment, a sharp reduction in poverty, and substantial budgetary resources to invest in education and health, and in needed infrastructure. The private sector was the principal engine of growth, State intervention being limited to areas where the market failed to function.

82. While the East Asian economies pursued policies geared to economic self-reliance, they had also benefited from expanding markets. With the stagflation of the 1970s, these markets had lost their buoyancy but they still offered significant opportunities for emergent second-tier newly industrializing economies in East Asia. Subsequently, the international economic and trading environment had made it more difficult for small countries like Sri Lanka to emulate the export-oriented growth experience of East Asia. Consequently, regional economic cooperation was vital if Sri Lanka was to achieve rapid economic growth.

83. The representative of **Mexico** said that, in the wake of UNCTAD IX, it was clear that a new global strategy for development was now required, taking into account the growing trend towards imbalances and inequalities in both the national and the international arenas. Globalization and liberalization did not constitute *per se* a comprehensive recipe for development problems, and they should be further analysed in order to pave the way for coordinated policy actions in fields such as trade, technology, and poverty.

84. The lessons to be drawn from the East Asian experience deserved further reflection, in view of the fact that nowadays many of the exogenous factors which had made possible these countries' rapid development were no longer present. The Uruguay Round Agreements now forbade many interventionist policies applied successfully in East Asia. Moreover, in the Asian countries a series of factors had combined to make possible the economic take-off witnessed in recent years. The high saving and investment rates that had been posted since the beginning of the 1970s, expressed as a percentage of GDP, were not to be seen today, not only in the Latin American and Caribbean countries but also - with the notable exception of Japan - in the great majority of the OECD countries. The Asian region had cultural and economic features that were very different from those of the rest of the world. If it was proving possible, as appeared to be the case, to reproduce the success of the Japanese model elsewhere in Asia, it was precisely because the other countries of the region shared many cultural and economic features with that country. Full allowance should be made for such differences in drawing lessons from the East Asian experience for policies elsewhere. These remarks were in no way intended to denigrate the *Trade and Development Report*, whose analysis of successful development experiences in East Asia was probably

useful for less advanced countries in the same continent. But it would be of great interest for Latin American and Caribbean countries if a new study were undertaken by UNCTAD, focusing on successful development experiences in their region. Finally, it should be stressed that, if development in the South were to be export-led, market access in the North had to improve, especially in the area of phasing out non-tariff barriers.

85. The representative of **Thailand** expressed concern at the increasing disparity within the international community. Although the Uruguay Round Agreements had marked a turning point for the international trading system, not all countries were benefiting from the process of globalization and liberalization and there was a risk of further marginalization of some countries. At the same time, he was encouraged by the improved growth performance of some developing countries and their increased dynamism in world trade, but the problem now was how to sustain this performance and to include all developing countries in it. Drawing on the lessons from the experience of East Asian countries was helpful in this regard. The *Trade and Development Report* rightly observed that government intervention and market forces were complementing each other in these countries. But, as in all success stories, there had been mistakes from which one could learn as well. In particular, developing countries needed to look at the qualitative aspect of development, rather than confining their attention to quantitative economic growth. Policies to alleviate poverty, environmental protection, and measures to ensure an equitable income distribution and the development of human resources were required to sustain economic progress. In this regard, he drew attention to the priorities in his country's Eighth National Plan. However, domestic action and policies were not sufficient to sustain his country's economic performance, and regional economic cooperation was imperative to enable it to compete in an increasingly competitive world. The ASEAN free trade area was scheduled to be implemented by the year 2003. This would unleash the potential of its member countries and stimulate the comparative advantage of South-East Asia. Moreover, the ASEAN countries were trying to encourage other countries in the region to participate in the region's dynamic development through infrastructural linkages and subregional cooperation activities.

86. The representative of the **Republic of Korea** identified the following crucial components of the East Asian development experience: political and economic stability, which could only be fully ensured by sound domestic governance; an export orientation with export promotion; capital accumulation financed both domestically and from abroad; the upgrading and importation of new technology and the development of overseas marketing skills; balanced enterprise development; and human resource development, at the level of both skilled workers and advanced education. Trade and investment constituted the cornerstone of all efforts towards sustainable development. He agreed with the analysis in the *Trade and Development Report* that in most East Asian countries the State provided a necessary complement to, and sometimes corrective influence on, the market. In the Republic of Korea, the impetus for development had been generated internally, but the attraction of FDI as a remarkably effective instrument for providing the basic necessities of economic development should also be recognized. FDI provided a package which included the transfer of technology, the promotion of production and managerial skills, manpower training and trade promotion. However, as stated in the *Report*, domestic technological capabilities should be complemented by a selective approach to FDI.

87. The scope for pursuing export-oriented policies had been broadened by recent changes in the world economic environment. Globalization and liberalization, technological advances, mobility of factors of production, and economies of scale all provided potential sources of growth from such policies, while the conclusion of the Uruguay Round had increased security of access for exports. But globalization also threatened to increase the marginalization of some developing countries. Experience sharing among developing countries should be encouraged in order to promote inclusion of all countries in these benefits, and the Republic of Korea would continue to assist developing countries to that end.

88. The representative of the **Russian Federation**, expressing his support for UNCTAD's more active involvement in the issues of globalization and liberalization, attributed special importance to activities designed to overcome the threat of marginalization of the LDCs and to facilitate deeper integration of transition economies into the world economy. Liberalization and globalization were causing international trade to become an increasingly important factor in economic growth, the full potential of which could be realized only through improved access to markets, if necessary by further removing protectionist barriers. The level of achieved openness of the Russian economy allowed the Russian Federation at the present time to participate in world trade on an equal footing with other participants. However, the residual discriminatory elements in the trade policies of major trading nations *vis-à-vis* economies in transition were still a matter of concern and seemed inadmissible in a world characterized by liberalization and globalization. He stressed the actuality of General Assembly resolution 50/95 which had underlined the importance of the full integration of transition economies into the world economy, thus widening UNCTAD's mandate in this field, including the technical assistance to these countries on their accession to WTO.

89. The Russian Federation was in the process of creating a competitive market economy. Its policies of macroeconomic stabilization and the creation of conditions for growth were starting to bear fruit. Thus the monthly rate of inflation had decreased to 1.9 per cent, while the decline of industrial production had bottomed out. There were also signs of growth in real incomes, and further strengthening of the legal system was taking place. The annual growth of foreign trade had reached 10 per cent against a backdrop of the abolition of export tariffs and licensing. Import tariffs were the country's only remaining instrument for regulating trade. An important indicator for the economy's openness - the share of imports in retail trade - had surpassed 50 per cent. The Russian Federation supported the consequent development of integration processes with CIS countries and was striving to promote trade and economic cooperation with ASEAN countries.

90. He supported the analysis in the *Trade and Development Report* of the important regulatory role of the State, including in the removal of market distortions. He shared the view taken in the *Report* that the East Asian development paradigm was a market-compatible phenomenon. With regard to industrialization policy, he pointed out that the rethinking of the role of State institutions in this process was a matter of practical importance for his country. It was desirable that consideration of East Asian development experience and the possibilities for its application by other countries should be conducted within the more detailed context of globalization and

liberalization in the post-Uruguay Round period. He suggested that this subject should continue to be studied, including its impact on regionalism and the deepening of South-South cooperation.

91. The representative of **Cuba** pointed to the inadequacy or virtual absence of macro-economic solutions to solve the structural problems of the developing countries and to slow down the growth of marginalization. Many of the findings in the *Trade and Development Report* left little room for optimism. World economic growth was slow, with no comprehensive structural solution in sight, and the external debt of developing countries continued to mount. ODA and credit flows to the developing world were much lower than 15 years ago, although population had doubled in the meantime. The economic miracles forecast in the 1980s by neo-liberal economists were nowhere to be seen, and the concentration of wealth and the North-South divide remained extreme.

92. The Cuban economy, in spite of daunting obstacles, was experiencing a recovery as a result of the implementation of structural reforms, but with a concomitant social policy. After the serious crisis caused by the collapse of Cuba's major trade partners, and the recrudescence of the economic and financial blockade imposed by the United States which had led to a fall in GDP of 34 per cent between 1989 and 1993, the economy had started to grow again in 1994. GDP growth had been 2.5 per cent in 1995, and 9.6 per cent in the first half of 1996. The budget deficit was expected to be contained at 2.5 per cent of GDP, and the Cuban peso had recently strengthened. Most agricultural enterprises had been transformed into cooperatives. A million tourists were expected to visit the country in 1996, and foreign exchange receipts from tourism would amount to almost 40 per cent of the total of such receipts. These results had been achieved in the absence of mass unemployment or cuts to basic social services.

93. The promotion of foreign investment constituted a central tenet of the Cuban reform strategy. Eighteen reciprocal international investment agreements had been reached so far, and another 25 were being studied or negotiated. New measures providing incentives for the development of free economic zones and industrial parks were being implemented. Twelve foreign banks and 660 foreign businesses were now active in Cuba. However, Cuba was aware that its situation was still difficult. The United States of America had recently enacted the Helms-Burton law in order to stem the growing flow of foreign investment into Cuba. This was a clear example of unilateralism and an attempt to impose extraterritorial jurisdiction. The international community had severely condemned this law, which constituted a challenge to the multilateral trade system and was incompatible with several articles of the WTO Agreement.

94. The representative of **Canada** expressed considerable interest in the discussion of the East Asian development experience in the *Trade and Development Report*, but thought that the particular circumstances of countries would require variation in the policy formulas appropriate to their development. Nevertheless there were common elements in the experiences of recently successful countries, such as a stable macroeconomic environment, a proper legal framework, good governance, and emphasis on trade. She felt that the *Report* still placed excessive emphasis on issues that were not central to those areas where UNCTAD could have a significant development impact. While this might be due to the fact that UNCTAD IX had been held fairly recently so

that some of the analyses in the *Report* had predated the Conference, she was looking forward to seeing the more focused approach of the agenda agreed at UNCTAD IX reflected in next year's *Trade and Development Report*.

95. The representative of **Australia** complimented the secretariat on its analysis of factors contributing to dynamic growth in East Asia and noted that the *Trade and Development Report 1996* pointed to the important role in the growth of economies in the region played by the rapid expansion of exports of labour-intensive manufactures to major developed countries. She felt that replication of such a strategy would be difficult for Pacific island and other developing countries lacking a developed manufacturing base, and the promotion of other commodities for export, selected on the basis of comparative advantage, might be more appropriate to their development strategy. Mutually reinforcing regional trade and investment linkages, a subject to which the *Report* perhaps gave insufficient attention, featured prominently in the successful growth of East Asian countries, but it had to be asked whether these factors too could be replicated elsewhere. It was necessary to consider also non-economic factors that had an important bearing upon the success or failure of development strategies. Prevailing social conditions, for example, were also of critical importance, as was the degree to which basic needs were met by the Government in the areas of health, education, water supply, sanitation and housing. Other studies, such as the World Bank's *East Asian Miracle*, had emphasized the considerable public investment made by East Asian countries in health and education, which was critical in building a strong base of human resources.

96. The representative of the **International Monetary Fund** said there had recently been substantial progress regarding global stability and growth. World economic and financial conditions were generally satisfactory, and the outlook was favourable. Many industrial countries had come close to achieving effective price stability. In developing countries there had been a continuation of solid growth, albeit unevenly distributed across regions. Africa's performance was encouraging, with growth in 1996 and 1997 expected to be at the highest levels in two decades. In the transition economies, activity was projected to stabilize in 1996 after five years of decline. The volume of world trade continued to expand, while trade and financial liberalization were progressing. There had also been a rebound of private capital flows to developing countries, and the exchange rates of the major currencies had been brought more closely in line with economic fundamentals.

97. After commending the discussion in the *Trade and Development Report* of the external debt situation of developing countries, he gave an updated review of the initiative under way in IMF and the World Bank regarding the situation of heavily indebted poor countries. The Interim and the Development Committees had fully endorsed the proposals of the Managing Director of IMF and the President of the World Bank, and had urged the two institutions to implement them quickly. The proposals set out the role to be played by the different actors - the debtor countries, the bilateral creditors of the Paris Club as well as non-Paris-Club countries, commercial creditors, and multilateral creditors including the Fund and the Bank.

98. Referring to the discussion in the *Report* of factors affecting international capital flows and of policies in this area, he said that, while exchange controls in such forms as restrictions on credit operations between

residents and non-residents and on non-residents' access to domestic financial markets could have an impact on the overall volume of capital movements as well as on the allocation of capital between portfolio and direct investment, UNCTAD seemed none the less to overestimate the usefulness of such measures in containing capital inflows. It was not obvious that such controls had succeeded in containing liquidity growth. In any case, appropriate policy adjustments should play a central role in supporting the temporary use of controls. While portfolio investments by non-residents had risen rapidly in many countries, these might prove highly volatile. It would be of interest to identify the role of macroeconomic factors in explaining these flows, and in determining the likelihood of their reversal. Capital inflows might also increase the burden on the domestic banking system, resulting in greater fragility and thus giving rise to the need for strengthening the regulatory framework for banks. Issues regarding policies towards the capital account were of increasing interest to several international bodies. The IMF would continue its analysis of capital flows and examine possible changes in the Fund's articles.

99. The representative of the **International Confederation of Free Trade Unions** (ICFTU) said that in the discussion of the successful development experience of East Asian countries so far the framework of economic policy had received much attention but the institutional and socio-political factors affecting the responsiveness of economic agents to government policies and incentives had been neglected. The effectiveness of economic policies depended also on the interaction between government and the civil society and variation in this effectiveness among countries reflected differences in their stages of development and social structures. This was why structural adjustment programmes in Africa and elsewhere had fallen short of expectations. The programmes had been based on the incorrect assumption that developed markets already existed in these low-income countries.

100. In some East Asian countries democracy had come late, and there had been repression of basic human and trade union rights. While such authoritarianism on the political front should not be replicated in other developing countries, the East Asian experience did show the positive role which Governments could play in development by providing not only a good macroeconomic environment but also policies giving appropriate importance to agriculture and basic social services, as well as to the establishment of effective and secure financial systems. In these countries, education and training had contributed to enhancing the productivity of investment, facilitating the transfer of advanced foreign technologies, and the building-up of an efficient administration. Stability was a major precondition for long-term investment of any kind, but such stability should be achieved through democracy, which provided more reliable safeguards of accountability, responsibility, and concern for people's welfare. A more equal income distribution could also contribute to faster growth. If FDI was to generate lasting benefits, it was necessary to link it as closely as possible to the domestic economy. In the design of appropriate development strategies it was necessary to take account not only of country-specific conditions but also of the fact that the international economic environment today was different from that of 30 years ago.

101. The representative of the **Third World Network** largely agreed with the overall thrust and conclusions of the analysis of the East Asian development

experience and its applicability to other countries in the *Trade and Development Report*, but doubted whether developing countries possessed adequate policy autonomy in the post-Uruguay Round era to take advantage of the benefits of globalization for effective development. In this regard, assessments of the outcome of the Uruguay Round at a recent seminar organized by the Third World Network had indicated that the WTO Agreement was unbalanced and asymmetric in that the benefits for developing countries of the new trade order were still uncertain, while the costs were immediate. Globalization was seen by the public as generating increased wealth for a limited number of people in a small number of countries and marginalization for the vast majority in both developed and developing countries. This was creating very large - and politically and socially unacceptable - inequities within societies and among countries. Globalization could offer benefits to countries which integrated into the world economy, but only if the asymmetry of the rules of the game in the areas of trade, money and finance was rectified. UNCTAD was best positioned to provide an objective analysis of the impact of globalization, given its focus on economic development.

Action by the Board

102. The action taken by the Board on agenda item 3 is reported in TD/B/43/12 (vol. I), section I.B.

Chapter III

PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

(a) REVIEW OF IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LDCS FOR THE 1990s;

(b) UNCTAD'S CONTRIBUTION TO THE WORK OF RELEVANT INTERNATIONAL ORGANIZATIONS IN THE IMPLEMENTATION OF THE URUGUAY ROUND FINAL ACT DECISION ON MEASURES IN FAVOUR OF THE LEAST DEVELOPED COUNTRIES BY ASSISTING THE LDCS THAT ARE WTO MEMBERS TO TAKE MAXIMUM ADVANTAGE OF THE SPECIAL AND DIFFERENTIAL MEASURES PROVIDED FOR IN THE URUGUAY ROUND AGREEMENTS

(Agenda item 4)

103. For its consideration of agenda item 4, the Board had before it the following documentation:

"The Least Developed Countries 1996 Report
The Least Developed Countries 1996 Report: An Addendum"
(TD/B/42(2)/11-UNCTAD/LDC(1996) and Add.1

"Report of the High-level Intergovernmental Meeting on the Mid-term Global Review of the Programme of Action for the Least Developed Countries for the 1990s" (TD/B/LDC/GR/8)

Consideration in Sessional Committee I

104. The **Chairman** (Islamic Republic of Iran) said that in his overview of The Least Developed Countries 1996 Report, the Secretary-General of UNCTAD noted that, as a group, the LDCs had not fared well in terms of economic development over the last two decades, although some individual countries had made significant progress. The marginalization of a significant number of the LDCs from the mainstream of the world economy was reflected in an array of important economic and social indicators. Globalization and liberalization had profound implications for LDCs in terms of their position in the world economy, their development prospects and the nature of their economic policies. He noted with serious concern that resource flows to LDCs from their major development partners had declined from 0.09 per cent in 1990 to 0.07 per cent in 1994 - less than half the aid targets and commitments set out at the Paris Conference. Such a decline in resource flows would seriously undermine the development efforts of the LDCs and their capacity to attract other forms of development financing. UNCTAD IX had called for the expeditious implementation of the agreed menu of aid targets and/or commitments undertaken in the Programme of Action. He hoped that the deliberations of the Board would contribute to realizing such an objective.

105. The heavy external debt burden of the LDCs called for urgent action to reduce substantially the outstanding debt stock and a comprehensive and concerted approach was needed. It was in this spirit that the recent multilateral debt relief initiative by the Bretton Woods institutions was a welcome development.

106. Referring to the addendum to the LDCs 1996 Report, which addressed the important issue of strengthening the LDCs' capacity for participation in the multilateral trading system and identified specific programmes that could ease the economic adjustment burden on the LDCs, he looked forward to a useful discussion on that issue and hoped that it would result in timely inputs to the initiative currently under way in the World Trade Organization (WTO) which would be submitted to the Singapore Ministerial Meeting.

107. The **Officer-in-charge, Office of the Special Coordinator for Least Developed, Land-locked and Island Developing Countries** said that, as indicated in the LDCs 1996 Report, after many years in which the per capita incomes of some LDCs had stagnated and others declined, LDCs' economies had displayed some modest progress in 1994 and 1995 when GDP was estimated to have grown at an average rate of 3 per cent. The most notable improvement in economic performance had occurred in the African LDCs where aggregate GDP growth was estimated to have increased to 2.2 per cent in 1995, compared with an annual average growth rate of 0.6 per cent during the period 1990-1994. Referring to external resource flows, he said that the share of LDCs' official development assistance (ODA) in DAC donors' GNP had declined from 0.09 per cent in 1990 to 0.07 per cent in 1994 - less than half of the aid targets and commitments set at the Paris Conference, and with fewer donor countries meeting those targets than in 1990. The overall aid outlook remained quite uncertain. The report recommended two broad courses of action in that regard: one was to prioritize LDCs in donors' aid programmes more clearly and the second was to sustain multilateral aid flows to LDCs.

108. The external debt burden remained exceptionally high for most LDCs. At the end of 1994, their total debt stock had stood at US$ 128 billion, an estimated 71 per cent of their combined GDP. For almost half the LDCs, the size of the debt stock equalled or exceeded their GDP. Referring to the recent initiatives on bilateral and multilateral debt, he said that a number of least developed countries were likely to benefit from these initiatives.

109. The need to assist the LDCs in meeting the challenges posed by the Uruguay Round Agreements had been recognized at the Marrakesh Ministerial Meeting. The LDCs' need for assistance had also been the concern of a number of organizations and forums such as the Mid-term Global Review of the Programme of Action, UNCTAD IX and WTO. The concessions granted to LDCs by the Special and Differential (S & D) treatment clauses and measures in their favour were clearly important and necessary instruments for facilitating their integration, but they did not sufficiently address the major problem facing the LDCs in the new multilateral trading system: the lack of capacity to produce competitively traditional and non-traditional goods and services for both export and domestic markets, which stemmed from their structural weaknesses.

110. For the LDCs to reap the full potential benefit of the Uruguay Round Agreements, concrete and positive action should be directed at two broad areas: measures to overcome, or at least ameliorate, structural weaknesses of the LDCs in order to enhance their trade performance; and effective implementation of the Uruguay Round Agreements, and the expeditious implementation of the S & D provisions and the "Decisions on Measures in Favour of LDCs" as well as consideration of further S & D treatment.

111. LDC Governments had to intensify efforts directed at overcoming their structural weaknesses as well as to continue to implement trade policy reforms. Other issues which ought to be tackled at the national level included human resources development, technological capacity building and improving the productivity and efficiency of agriculture.

112. He referred to the technical cooperation programmes, at the bilateral and multilateral levels, required to complement LDCs' efforts and which could be cast within a short- and long-term framework. The elements of those programmes were elaborated in the addendum to the LDCs 1996 Report. UNCTAD, in collaboration with other multilateral and bilateral institutions, was playing a crucial role in facilitating the integration of the LDCs into the multilateral trading system through joint technical cooperation programmes. He mentioned some of the activities and programmes already under way in this regard.

113. The spokesman for the **least developed countries** (Bangladesh), said that the least developed countries had wide-ranging problems arising out of a combination of both domestic and external factors. These problems and measures to address them had been recognized by the international community. He emphasized that the LDCs, for their part, had been implementing wide-ranging socio-economic and political reforms. They had been pursuing macroeconomic policies aimed at poverty alleviation, acceleration of economic growth and sustainable development. In spite of these policies, the LDCs had remained economically vulnerable and confronted with the danger of further marginalization, as reflected in The Least Developed Countries 1996 Report.

114. The LDCs' endeavours needed to be supplemented by international support measures. That would be in line with the principles of shared responsibility and strengthened partnership for accelerated growth and development of the LDCs. With a view to enabling the LDCs to cope with the challenges in the aftermath of the Uruguay Round and facilitating their integration into the global trading system, it was necessary to implement fully and expeditiously the Marrakesh Ministerial Declaration in letter and spirit. The international community and multilateral institutions - including UNCTAD, WTO and the Bretton Woods institutions - therefore needed to come forward to render assistance to supplement the LDCs' own efforts. He enumerated several measures which ought to be considered including the proper assessment of gains and losses arising out of the implementation of the Uruguay Round Agreements, the commitment to supportive and flexible application of rules in favour of LDCs, exploring the possibilities of enhancing market access for LDCs, reviewing and rationalizing the notification procedure to enable LDCs to fulfil their obligations, according to the LDCs' supportive treatment in all future negotiations conducted in terms of the Uruguay Round Agreements, extending adequate technical assistance to the LDCs in the form of consultancy services, advisory missions and training facilities and special measures to alleviate the problems of land-locked countries.

115. Referring to the dependence of the LDCs on ODA, he said that the shrinking of ODA from 0.09 per cent in 1992 to 0.7 per cent in 1994 was a matter of serious concern to the LDCs. He expressed the LDCs' deep appreciation to the countries which had met or exceeded the ODA targets and hoped that the ODA target of 0.15 per cent of donors' GNP to LDCs would be fulfilled in the future. He called for adequate and timely funding of

multilateral financial institutions and organizations which provided a significant part of the LDCs' external financing and innovative approaches for increasing foreign direct investment (FDI) flows to the LDCs.

116. The debt relief measures taken so far had proved insufficient to reduce the LDCs' liability to a sustainable level. A substantial relief of the LDCs' debt burden would require more vigorous and effective measures on the part of the donor countries and the multilateral financial institutions. He called upon them to consider adoption of appropriate remedial measures, including debt cancellation for all LDCs, irrespective of their level of indebtedness. He also called on developed countries to cooperate in the promotion of economic and technical cooperation between the LDCs and other developing countries through triangular and joint ventures.

117. It was important that UNCTAD, which was the focal point at the global level for the monitoring, follow-up and review of the implementation of the Programme of Action, be provided with the requisite capacity and resources to monitor the outcome of the Mid-term Global Review, as well as the conclusions and recommendations in favour of LDCs adopted by the other major global conferences. He hoped that the restructuring of UNCTAD would not reduce its capacity and resources to deal with LDC matters in a comprehensive and effective manner.

118. The representative of **Ethiopia** referred to the wide-ranging and comprehensive economic and policy reforms implemented by the LDCs to reduce macroeconomic imbalances in their economies. However, many of the constraints imposed on and the challenges facing these countries were structural and not easily overcome in the short term. Following a long period of persistently declining GDP growth and deteriorating per capita income, the growth performance of the LDCs had improved modestly in 1995 and was forecast to continue to improve in 1996. The most notable feature was the marked improvement in the performance of the African LDCs. While higher commodity prices had boosted export earnings and provided an important stimulus to growth in many LDCs, the concern was that such improvements in the terms of trade might only be transitory.

119. The LDCs were concerned at the shrinking level of aid and called upon their development partners to provide a substantial increase in the level of external financial resources to the LDCs in line with the commitments undertaken in the Programme of Action and during the Mid-term Global Review. Their most difficult problem was external debt. Despite some debt relief measures, the level of debt stock and its servicing had severely constrained the development efforts of these countries. Creditor countries and the Bretton Woods institutions should take urgent and effective measures to alleviate the debt problems of the LDCs.

120. Commenting on the economic situation in Ethiopia he said that, following several years of poor economic performance, macroeconomic stabilization and structural adjustment, reforms had been implemented to transform the economy from a centrally-planned economy into a market economy. Those reforms had shown encouraging results as GDP had grown at an average annual rate of 6.5 per cent during the period 1992-1995 after decades of stagnation and decline.

121. He emphasized that the economic policy reforms that the LDCs were undertaking should receive support from the international community to avoid the dangers of marginalization of those countries. UNCTAD had a unique role to play as a focal point at the global level for the implementation of the Programme of Action for the Least Developed Countries for the 1990s. He welcomed the establishment of the Trust Fund for the LDCs and hoped that it would become operational as soon as possible.

122. The representative of **Sudan** said that, despite the far-reaching political and economic reforms implemented by the LDCs in the context of structural adjustment programmes, a decisive reversal of the socio-economic deterioration in those countries was not yet in sight. Their development problematique was further compounded by the process of rapid globalization and liberalization. He urged donor countries to implement expeditiously the agreed menu of aid targets and commitments as set out in the Programme of Action and reaffirmed by the Mid-term Global Review. He called upon LDCs' development partners to undertake practical measures to translate the emphasis given by the Heads of States and Governments of the Group of Seven major industrialized countries into concrete and early action, with a view to providing the LDCs with a substantially increased volume of ODA.

123. He noted with keen interest the recent multilateral debt relief initiative by the Bretton Woods institutions. The effectiveness of the initiative would critically depend on the nature of eligibility criteria and it was important that all debt-distressed LDCs should be brought under this initiative. The debt reduction should be large enough to bring the debt servicing of those countries to sustainable levels. He called upon all creditor countries to cancel in full all bilateral official debt owed by the LDCs.

124. He stressed the need for concrete action to implement fully and expeditiously the Marrakesh Declaration in favour of the LDCs. UNCTAD should continue its work to follow closely the implementation of the commitments of the Uruguay Round Agreements in favour of the LDCs, analyse the impact of the Round on individual LDC economies and make proposals on ways and means to implement the commitments in their favour. UNCTAD should also provide technical assistance to those countries to strengthen their negotiating capacities and ability to implement and derive benefits from the results of the Round. In that regard, he called for the strengthening of the Office of the Special Coordinator for LDCs to enable it to coordinate effectively the sectoral work in favour of the LDCs and monitor the implementation of the Programme of Action. He also welcomed the establishment of the Trust Fund for LDCs which should be operationalized as soon as possible. He urged the donor countries to contribute generously to the Fund.

125. The representative of **Ireland**, speaking on behalf of the **European Union**, said that The Least Developed Countries 1996 Report was a reminder of the rich resource of analysis and information available to the UNCTAD secretariat. The EU attached great importance to the review of the Implementation of the Programme of Action and looked forward to contributing to the evolving debate on this issue. The EU believed that it was important to focus on the situation and needs of the LDCs and looked for action-oriented results. The EU particularly welcomed the fact that UNCTAD IX had called for priority to be accorded to the LDCs in UNCTAD's technical assistance and substantive policy

work. He hoped that the outcome of the deliberations of the Board would set the tone for the work for the coming year and would reflect the working methods of the new UNCTAD instituted by member States.

126. The representative of **Japan** said that further integration of LDCs into the global economy was one of the most important issues to be tackled in the processes of the globalization and liberalization of the world economy. Development should be promoted through a comprehensive approach that included the resources and political will of both traditional and new donors, including the new additional domestic resources of the recipient countries. He praised the LDCs Report 1996 for its extremely informative and educational approach to its monitoring of the trends in LDCs' economic performance, as well as for its analytical comparative assessment with respect to developed as well as developing countries. The Report particularly underscored the importance of solving the supply-side constraints in LDCs in order to integrate them into the global economy. He emphasized the need for fuller analyses of the successful experiences of strong-growth LDCs from the viewpoint of alleviating or removing supply-side constraints. He suggested that South-South cooperation could be intensified as a possible additional means of export promotion for developing countries, particularly LDCs. The South-South cooperation framework is one of the significant means of integrating LDCs into the world economy. Japan was determined to support actively this kind of cooperation.

127. While the total volume of ODA from all DAC donor countries had been decreasing recently, Japan's ODA to LDCs in 1995 had increased by 9.3 per cent against that of 1994. Japan recognized the significance of establishing the Trust Fund for LDCs at UNCTAD and would contribute to concrete schemes of the Fund. He recommended that its activities should include strengthening South-LDC cooperation.

128. The representative of **Norway** recalled that UNCTAD IX had decided that the situation of the LDCs should be a priority issue in the work of the organization. At a time of dwindling resources available to the United Nations system and to development, it was very important that efforts were targeted towards the LDCs. UNCTAD's special role for the LDCs within the inter-agency system was based on its responsibility to monitor the implementation of the Programme of Action for the LDCs. This was a task that UNCTAD did well. The annual LDC Report continued to be a well-researched and important reference document for organizations and individuals who sought information on the current economic situation of LDCs. The unit producing the report deserved credit for its work. The Norwegian Government had undertaken a major review of general policies towards development in the last few years. A Government white paper on "A World of Change" had been presented in 1995, and was the subject of a comprehensive evaluation by Parliament. He summed up some of the policies of his Government that might be relevant to the discussion, which included the following:

(a) Norway would maintain a high ODA contribution, well above the 0.7 per cent target. According to the budget proposal presented to Parliament last week, it proposed to increase ODA by some 7.4 per cent in 1997; the general orientation of Norway's development policies towards poverty-related

policies, programmes and projects would be reinforced; Norway would continue to fulfil its obligations to the targets of the Paris Programme of Action of at least 0.2 per cent of its GNP as ODA to LDCs;

(b) It would continue other efforts to ensure that development resources were directed towards the most needy, i.e. through the implementation of the 20/20 principle; Norway would continue to support travel arrangements that could enable LDC representatives to take part in UNCTAD's work. It looked to other donors to do more in that respect; Norway strongly supported efforts to integrate the LDCs more directly into the world economy, i.e. through the global trading system. It had initiated a WTO fund to support greater LDC implementation and participation. It had encouraged the WTO to cooperate closely with UNCTAD and ITC in that respect; Norway was in the process of proposing to Parliament the establishment of a Norwegian fund for investments in developing countries. The objective would be to support enterprise development. This would be particularly relevant to African LDCs.

129. He felt that the real test of the reorganization of the UNCTAD secretariat was the degree to which LDC issues were integrated into the four new secretariat Divisions. That was where the translation of UNCTAD's valuable analytical work to policy formulation ought to take place. Moreover, the new Commission on Investment, Enterprise Development and Technology had the particularly important task of investigating how more foreign direct investments could be encouraged to flow towards the LDCs, and to help LDCs set up policies and programmes that were conducive to foreign investments.

130. The representative of **Ireland**, speaking on behalf of the **European Union**, said that the risk of marginalization of LDCs was and would remain a focus of attention for the EU. It saw the particular problems of LDCs as central to all of UNCTAD's activity and a point that ought to be addressed at all discussions and not solely in the Board. The EU urged the secretariat to begin to deepen its analysis of the key issues confronting LDCs as soon as possible. The Board should ask the Commissions, in carrying out their tasks, to pay special attention to the problems confronting LDCs. The Commissions' reports to next year's Board should, whenever possible, focus on issues of direct relevance to LDCs.

131. The EU currently accounted for about half of the world ODA to the LDCs. Within the EU total, the European Community as such contributed about $1.35 billion in ODA, making it one of the largest individual contributors of aid to the LDCs. The successful conclusion in 1995 of the mid-term revision negotiations of the Fourth Lomé Convention for the African, Caribbean and Pacific partner countries, of which 39 were least developed countries, with a 22 per cent increase in funding over the previous five-year period, meant that those countries could look forward to an increased flow from the European Community over the next five years.

132. He welcomed the currently improving performance of LDCs' exports. The EU was the LDCs' major trading partner, accounting for over one third of their exports and offering roughly three quarters of their preferential export markets. It would be worthwhile to examine the causes of decline in LDCs' exports and consider what policy approaches might contribute to improving LDCs' competitiveness as commodity producers and reversing the declining market share.

133. Flows of foreign direct investment to the LDCs had seen a rising trend, although their share in FDI flows to developing countries as a whole had declined. UNCTAD ought to probe deeper into the reasons why LDCs continued to lag behind in relation to FDI flows, and to examine in greater detail the measures to reverse that trend, drawing on the experience of this year's high-level segment.

134. The EU had actively pursued approaches to respond to the debt problems of the least developed countries as called for in the Global Mid-Term Review. It had welcomed the successful outcome of the meeting of the Development and Interim Committees of the World Bank and the IMF, where a framework for action to resolve the debt problems of heavily indebted poor countries had been achieved. That would undoubtedly be of major benefit to many LDCs over the next decade and he looked forward to its speedy implementation.

135. The representative of **Bhutan** said that, although much had already been said about the need to assist the LDCs to prevent their further marginalization, that expressed commitment had not been matched by concrete actions. If actions at the national level were to be sustained and yield their intended results, international supportive measures ought to be forthcoming in a true spirit of partnership for development. He hoped that the Trust Fund for LDCs would result in strengthening UNCTAD's activities for those countries. The effectiveness and impact of the Fund would depend largely on the financial resources made available to it, and he urged all donors to contribute generously. UNCTAD was the only forum where issues pertaining to LDCs were dealt with in a comprehensive manner. He hoped that the entity dealing with LDC issues within the UNCTAD secretariat would be adequately equipped to enable it to effectively carry out the tasks assigned to it at Midrand. In that regard, he awaited the speedy confirmation of the appointment of the Special Coordinator. With his/her appointment, he looked forward to the formulation of focused and substantive strategies that would address the specific needs and problems of the LDCs.

136. He called upon the Singapore WTO Ministerial Meeting to adopt a comprehensive Plan of Action for the LDCs containing concrete measures in the areas of market access, FDI, capacity-building and operationalization of the Marrakesh Ministerial Declaration/Decisions.

137. The representative of **China** said that the present session of the Board was the first opportunity to review the implementation of the policies and measures adopted in the Meeting on the Mid-term Global Review of the Programme of Action for the LDCs for the 1990s, particularly that of the international support measures adopted in favour of LDCs. The international community had committed itself to help LDCs to better integrate in the world economy and the international trading system. The development performance of LDCs in the first half of the decade had been far from realizing the objectives of the Programme of Action. He noted the decline of ODA flows to LDCs in 1995 and called for their increase. Referring to the external debt problems of the LDCs, he said that there had been considerable progress but that the international community was still far from meeting those countries' needs, and he called for urgent measures to overcome this problem. He emphasized the need to increase the capacity and capability of LDCs to enhance their participation in international trade and to resolve their transitional problems. Special and differential treatment should be provided to LDCs in

accordance with the rules and regulations of the Uruguay Round Agreements. Commenting on the LDCs 1996 Report, he said it deserved in-depth examination by LDCs and their development partners, and that appropriate measures should be taken on the basis of its findings and recommendations.

138. The representative of the **European Community** said that UNCTAD should devote higher priority to the least developed countries in its technical assistance and analytical work on trade matters. At an appropriate moment, the UNCTAD secretariat could establish a balance sheet of what had been done in that field to implement the Paris Programme of Action and the outcome of the Global Mid-term Review.

139. The European Union constituted the least developed countries' largest export market, accounting for 34.5 per cent of their exports in 1994. The European Union also provided the greater part of the LDCs' preferential export markets through the Lomé Convention for 39 out of the 48 LDCs and through the revised and - for the LDCs - much improved GSP scheme for the other nine countries. Those schemes provided for unlimited access to the EU markets for almost all non-agricultural goods and many agricultural products at zero duty and for highly preferential access in the agricultural products. Other countries could provide more preferential treatment of LDCs' exports.

140. The recently revised Lomé Convention extended preferential market access. It also paid greater attention to the very important area of trade development, and both the EU and ACP countries were committed to devote adequate resources to the expansion of ACP trade. In that context, attention would be given to the development of the private sector, appropriate economic policies, development of infrastructure, improvement of import regimes, transportation and services needed for exports.

141. He congratulated UNCTAD for its contributions and participation in the work of the WTO Committee on Trade and Development and the Sub-Committee on LDCs and for the collaboration and coordination that were thus being established mainly in terms of technical assistance. The results of those reviews indicated that, in most of the areas covered by the Decision, progress had been made but that further reflection should be given to what more could be done.

142. He considered that further efforts for preferential policies and liberalization in favour of the least developed countries should continue in a multilateral framework, with a view to providing long-term stable export opportunities. Not only the industrialized economies, but also the more advanced developing countries, should participate and contribute in that operation, by taking measures designed to facilitate access to their markets by the LDCs.

143. The representative of **Bangladesh** said that in recent years there had been a significant shift in government policy. The narrow and inward-looking import-substitution industrialization strategy had gradually been replaced by a broad and outward-looking export-oriented industrialization programme reliant on private enterprises. That had resulted in lower levels of protection for the domestic industry and easier access to importers of industrial raw materials. Privatization of many State-owned enterprises, progressively diminishing State intervention for marketing of agricultural

inputs and an increasingly important role for the market forces in determining key economic variables had been the salient features of this new economic policy.

144. However, the opening up of the economy, along with the liberalization of trade as a part of the process of implementation of Uruguay Round decisions, and WTO stipulations, had been the causes of an increasingly adverse balance-of-payments situation, with its effect on exchange rate and development. Consequent to the low tariff rates, imports had increased while economic development and exports had been circumscribed by, in addition to other causes, exogenous factors including the restrictive policy of other countries coupled with the sluggish and diminished flow of both private and official funds.

145. Bangladesh had adopted a very liberal investment policy under which 100 per cent foreign equity was allowed for investment, along with guarantees for repatriation of profit. The private sector could also set up export-processing zones on their own. Despite all such steps, FDI flows had been most disappointing. He also enumerated recent trends in the Bangladesh GDP growth rate, exports and imports.

146. Referring to the implications of globalization, he said that globalization contained an incipient threat of marginalization of LDCs. He cautioned against attempts to introduce new issues such as labour standards, competition policy, environmental standards, investment treaty, etc., within the ambit of WTO with its implication of cross retaliation. The attempt to conjoin such non-trade related issues with the regulations of WTO was likely to constrict world trade and could lead to protectionism.

147. He appealed to developed countries and countries at a higher level of development than LDCs to discharge their part of the "shared responsibility" for alleviating the problems of the LDCs, including arresting further deterioration in the socio-economic situation of such countries, and to reactivate and accelerate growth, a commitment which had reverberated throughout the deliberations at Paris, Marakkesh, Lyon and New York.

148. The representative of the **Russian Federation** said that his country considered the Programme of Action for the Least Developed Countries for the 1990s as an agreed international strategy for resolving one of the global problems of mankind. The Russian Federation totally supported all crucial recommendations of the Mid-term Global Review on the Implementation of the Programme, as well as relevant recommendations of UNCTAD IX and the Lyon Summit. Despite the enormous difficulties of the transitional period, it would continue to cooperate with LDCs. For example, the Russian Federation continued to import from LDCs on a duty-free basis, and provided technical assistance in mining, development of oil and gas industries, harbour facilities, etc.

149. During the last two to three years, the Russian Federation had been reviving its economic relations with the LDCs and seeking to establish new mutually beneficial forms of relations with them. He underlined the importance of reactivating the Russian-LDCs bilateral intergovernmental commissions on economic, trade and technological cooperation, as well as increasing contacts between the Russian Chamber of Commerce and Industry and

the homologous organizations of a number of LDCs. The Russian Federation was in a position to provide assistance to LDCs in a number of areas of goods and services which they needed.

150. He considered the indebtedness of LDCs as a restraining factor for increasing cooperation. In that connection, he said that his Government was following with interest the Paris Club efforts and the World Bank-IMF Initiative on debt relief for the poorest countries. His Government completely supported UNCTAD's efforts towards sustainable development of the LDCs, and it welcomed, in principle, the idea of the establishment of the Trust Fund for the LDCs and also the decision to establish the Office of the Special Coordinator for Least Developed, Land-locked and Island Developing Countries. The Russian Federation gave particular importance to that initiative in view of the fact that a number of LDCs were Russia's traditional economic partners and a number of landlocked countries were constituent members of CIS. The Russian Federation would continue to support LDCs' cause in UNCTAD and in all international forums.

151. The representative of **Switzerland** said that, following UNCTAD IX, UNCTAD was in a position to make a decisive impact on assisting LDCs in their efforts towards reaching sustainable development and towards integration into the world economy and the world trading system. It has been agreed at Midrand that the future activities of UNCTAD should be focused on the needs of LDCs. The next important step would be to ensure that that statement would be translated into useful action.

152. He reviewed recent improvements in the overall economic situation of the LDCs, the decline in ODA and uncertain ODA prospects. Against this backdrop, it was important for donor countries to further improve the quality of their cooperation through a demand-driven approach and through coordination at all levels. It was equally important that advanced developing countries joined the industrialized nations in their support for LDCs. He mentioned the importance of the recent debt initiative for the heavily indebted poor countries, which would improve the changes of LDCs for development and poverty reduction. In his view, this initiative, the G-7 Declaration and the replenishment of IDA XI demonstrated that the international community was aware of the difficult situation of LDCs.

153. He also mentioned the following areas for further action in LDCs: trade diversification, regional cooperation and conflict prevention. National measures by LDCs should prioritize trade-policy reforms, human resource development and capacity-building in technology.

154. As regards UNCTAD's future role in the support of LDCs, his delegation was convinced that the distinction made in the addendum to the LDCs 1996 Report between a "priority needs package" on a short-term basis and long-term assistance in the area of trade-related support to LDCs was appropriate. In his view, the measures foreseen in the first category should be implemented mainly through the technical cooperation programmes of WTO and UNCTAD's Trade Point programmes. With regard to the category of long-term financial and technical assistance, UNCTAD's technical programme could make an essential contribution in the area of regional cooperation and trade promotion. For that purpose, however, the share of LDCs in UNCTAD's technical cooperation

programme needed to be substantially increased. That share had dropped from 42 per cent in 1989 to 28 per cent in 1995. After having committed itself at UNCTAD IX to focus its activities, above all, on the needs of LDCs, the organization should increase the LDCs' share in its technical cooperation programme in order to retain the credibility it had gained at Midrand. He highlighted the need for coordination among the organizations concerned in providing support to LDCs.

155. In this context, Switzerland supported the implementation of country-based programmes. It was in the process of revising its GSP and under the new system, products from all developing countries, in particular LDCs, would benefit from a substantially improved market access. The Swiss authorities were willing to provide beneficiary countries with up-to-date information on the revised GSP after its adoption at the beginning of 1996.

156. He called upon UNCTAD to analyse carefully the impact of the implementation of the Uruguay Round on developing countries, in particular LDCs. UNCTAD could also play an important role in assisting LDCs in participating in the multilateral trading system. With regard to assistance on a short-term basis, he argued that WTO could play an important role by enlarging its technical assistance programme to the needs of LDCs, in particular to improve knowledge of multilateral trade rules, WTO working procedures and negotiations, and by assisting in the implementation of commitments in the multilateral trading system and full use of its provisions, including the effective use of the dispute settlement mechanism.

Action by the Board

157. The action by the Board on agenda item 4 is reported in TD/B/43/12 (Vol.I), section I.C.

Chapter IV

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s AND THE ROLE OF UNCTAD IN THE IMPLEMENTATION OF THE UNITED NATIONS SYSTEM-WIDE SPECIAL INITIATIVE ON AFRICA

(Agenda item 5)

158. For its consideration of agenda item 5, the Board had before it the following documentation:

Report by the UNCTAD secretariat (TD/B/43/6).

Consideration in Sessional Committee I

159. The **Officer-in-charge of the Economic Cooperation among Developing Countries and Special Programmes** gave a brief summary of the latest trends and developments in the socio-economic performances of African countries. The African continent was vast and, therefore, did not fit the generalizations made for all its countries; indeed some African countries were moving ahead with economic reforms and showing signs of progress. The question for those countries was the sustainability of such progress. In other countries, however, reforms had proved to be more difficult. Some countries were faced with massive socio-economic problems, including the difficult political and institutional transitions that were necessary for good economic performance.

160. He expressed hope that the international community would intensify its efforts in providing assistance to the African countries. The resources needed for the socio-economic transformation of Africa could not come solely from the African people - most of whom were marginalized and lived at the subsistence level - but should come from governments and multilateral financial banking institutions. UNCTAD's primary objective was to ensure that such assistance was given in the context of sustainable and equitable growth and development in tandem with sound policy and technical assistance. UNCTAD would also play its full part in the implementation of the United Nations Special Initiative on Africa, particularly in the areas of trade, investment and development in general.

161. In conclusion, he said that the most important tasks the Special Programmes had carried out were the effective implementation of the various programmes and set of activities already identified by the Board, particularly in the areas of economic integration and cooperation, investment promotion and sustainable development.

162. The spokesman for the **African Group** (Nigeria) said that Africa was a continent beset by economic and social crises despite its abundant natural resources and all the efforts exerted for development. The various special programmes initiated by international organizations had not made any meaningful impact. The continent continued to suffer from economic decline, falling per capita income and worsening social conditions. The high annual rate of population growth exacerbated the situation.

163. In an endeavour to halt or reverse this situation, many African countries had pursued economic reforms for more than a decade. These were designed to correct fundamental economic imbalances and support the development of the private sector. However, the expected gains, such as increased foreign direct investment in Africa, had not materialized. In spite of all these setbacks, African countries had pressed ahead with efforts to facilitate the effective development and utilization of human resources, harness their vast natural resources, mobilize both domestic and foreign financial resources for development and strengthen regional and subregional cooperation and integration.

164. He recalled that the establishment of the UN-NADAF was meant primarily to focus attention on the development needs of African countries in order to provide supportive actions in line with Africa's priorities and to stimulate the political support needed to ensure that timely action was taken to remove some of the obstacles for development in Africa. The objective of the UN-NADAF, however, had not been achieved.

165. Of particular concern was Africa's debt, which stood at US$ 317 billion. He acknowledged that the creditors had addressed the debt issue to some extent through concessional bilateral arrangements, support to the IDA buy-back facility and adoption of the Naples Terms. External debt, however, remained a major constraint to Africa's development.

166. Africa's economic structures prevented a smooth progress and integration into the global economy. Africa also continued to fail to attract sufficient levels of foreign direct investment. He called upon UNCTAD to implement the programme of activities for investment promotion already identified by the Board. In addition, there was a need to facilitate the development of the physical infrastructure. So far, the much expected international political support that could encourage the inflow of investment and financial flows had been disappointing. He called upon the international community to come up with concrete actions in the provision of assistance to Africa in: market access; commodity diversification; foreign direct investment; development of small- and medium-size enterprises; regional integration; and development of relevant technology, as well as infrastructural development. He called for a new form of development partnership that was more focused on policies and programmes and the development of local capacities.

167. The representative of **Ireland**, speaking on behalf of the **European Union**, reaffirmed the European Union's commitment to the development of Africa. The New Agenda had helped to raise political awareness of the special situation of Africa, and the United nations System-wide Special Initiative for Africa was a means through which a coordinated approach could be taken to implement the objectives of UN-NADAF. The major challenge ahead was the integration of African economies, especially the least developed countries, into the world trading system, against a background where the share of world trade of the poorest countries had fallen significantly in recent years.

168. She pointed out that, under the Lomé Convention, all industrial products and most agricultural products originating from African member States had guaranteed free access to the European Union market. The Lomé IV Convention further granted concessions for agricultural products and more favourable rules of origin for industrial products. She added that the EU countries

recognized that debt relief measures were an essential part of any strategy aimed at restoring the economic viability of the poorest and most heavily indebted countries.

169. On the Special Initiative for Africa, she welcomed the fact that the Initiative was to focus, coordinate and enhance the effectiveness of the work of United Nations agencies in Africa. She also welcomed the close involvement of the Bretton Woods Institutions and the African Development Bank. The European Union strongly agreed with the emphasis of the Special Initiative on strengthening the delivery capacity of African countries in the social sectors and satisfying the basic needs of their populations. It was important, however, to recognize that many projects and initiatives, promoted by national governments with the support of the donor community, already existed in Africa. In developing programmes at the country level, these needed to be taken into account. There should be a full understanding of the sectoral needs, priorities and capacities and respect for the recipient governments' ownership of their development programmes.

170. She called upon UNCTAD to provide assistance to African countries in dealing with the administrative and procedural causes of the still excessively high transport and transactions costs associated with internal and external trade in Africa. UNCTAD could also help in strengthening African countries' capacity to manage newly competitive markets in transport, communications and the supply of public utility services so that these countries could benefit to the maximum from the opportunities opened to them by the advent of new technologies and by the privatization of their parastatals and liberalization of their markets.

171. In conclusion, she said that the European Union wanted to work in a genuine spirit of partnership with African countries as well as with other developed and newly industrialized countries, with a view to achieving focus and coherence in the way the international community addressed the issues.

172. The representative of **China** said that this was the first occasion for the Board, after UNCTAD IX, to review progress in the implementation of the New Agenda for the Development of Africa in the 1990s and the System-wide Special Initiative on Africa. UN-NADAF had made some progress and some countries had made progress in key areas. However, a great deal still remained to be done to set the African countries on the path of sustainable development. The share of Africa in world output and also in trade had shrunk. UNCTAD had to intensify its efforts in the implementation of UN-NADAF and the Special Initiative on Africa. China attached great importance to economic ties with Africa and it had provided assistance to Africa in various ways. China would continue to seek mutually beneficial cooperative arrangements with African countries and would encourage Chinese companies to cooperate with Africa. He was optimistic that Africa's own great efforts would produce positive results and ensure a bright future for the continent.

173. The representative of **Japan** observed that Africa faced a continuously deteriorating economic and social situation. This was attributable not only to economic problems but also to natural and man-made disasters such as drought, famine, widespread civil strife and political instability in various

parts of the continent. He pointed out that there had been some successes, however, particularly in Southern Africa where some countries had achieved national reconciliation and democratization.

174. The Government of Japan had taken a number of initiatives in favour of African countries. First, there was the Tokyo Conference on International Development (TICAD) in 1993, which had reaffirmed that African development was a global priority and that it was important to place at the centre of African development strategies of self-reliance, including good governance and reforms in both the political and economic fields. That Conference had been followed up by the Asia-Africa Forum in 1994, held in Indonesia, and regional workshops held in Zimbabwe in 1995 and in the Côte d'Ivoire in 1996, with a view to facilitating efforts to transfer some of the useful experience and lessons acquired during the process of Asian development. Japan had also organized several international seminars in Tokyo on new development strategies.

175. Regarding future initiatives, at UNCTAD IX Japan had given a clear statement on future activities. TICAD II would be held in 1998. Japan had also decided to undertake a series of programmes to assist Africa's efforts in human development, including those in the fields of health and education. He called upon the international community to make special efforts in favour of Africa in the areas of health, strengthening of private enterprise and South-South cooperation. His Government was prepared to provide assistance for the health sector. With regard to the development of the private sector, Japan was contributing US$ 300,000 for a project seeking to examine the replicability of the East Asian experience in Africa. Japan was also contributing US$ 450,000 for technical cooperation in the commodities sector, and was allocating US$ 2 million out of its contribution to the Japan Human Resources Development Fund at UNDP to promoting South-South cooperation.

176. In conclusion, he expressed hope that, through joint efforts, it would be possible to identify ways and means of operationalizing the principles and norms contained in UN-NADAF.

177. The representative of the **Islamic Republic of Iran** recalled that there had been a useful and fruitful discussion of the African situation and UN-NADAF at the informal session organized by the Chairman. He had noted with great interest the intervention of the Japanese delegation, which had presented specific indications of what the Government of Japan had done in favour of African countries. In the post-UNCTAD IX period, his delegation hoped that more of the members of the donor community would undertake similar activities for the benefit of the African countries.

Action by the Board

178. The action taken by the Board on agenda item 5 is reported in TD/B/43/12 (Vol. I), section I.D.

Chapter V

REVIEW OF TECHNICAL COOPERATION ACTIVITIES OF UNCTAD

(Agenda item 6)

179. For its consideration of this item, the Board had before it the following documentation:

> "Review of technical cooperation activities of UNCTAD - report by the UNCTAD secretariat" (TD/B/43/7).

Consideration in Sessional Committee II

180. Introducing the item, the representative of the UNCTAD secretariat said that this was the first time that the Board was itself undertaking the regular review of technical cooperation, and this represented recognition of the importance given to the issue at UNCTAD IX. The level of UNCTAD's technical cooperation expenditures had been roughly constant over the past few years, and this was expected to continue through 1997. A decline in UNDP funding had occurred, with a corresponding increase in trust funds. The share of expenditure on LDCs had decreased, while the share for the economies in transition had increased. He suggested that the discussion should focus on the issues arising out of UNCTAD IX (chapters III and IV of document TD/B/43/7), rather than on a programme-by-programme review, which could be handled by the Working Party on the Medium-term Plan and Programme Budget in a manner to be determined.

181. The spokesman for the African group (Morocco), noted with concern that over the past four years there had been a decline in the share of technical cooperation accruing to the LDCs and to Africa. While this state of affairs was not due to deliberate action by the secretariat, the latter should take more active steps to palliate these negative developments. The African Group had also noted the decrease in UNDP funding in Africa, as well as the relatively small number of country projects as distinct from regional projects, and in that connection it felt that country projects had a more immediate and concrete impact.

182. While welcoming the increase in the share of technical cooperation accounted for by services infrastructure and trade efficiency, as well as the continuing positive trends in the area of global interdependence, including debt management, the African group was preoccupied by the weakening of programmes on commodities, science and technology and economic cooperation among developing countries. Investment and competition policy should also receive particular attention.

183. His Group appreciated the integrated UNCTAD/WTO/ITC programme in Africa within the framework of the follow-up to the Uruguay Round. In that connection, and in the context of cooperation among organizations, the fear of duplication should not be allowed to stifle initiatives, and coordination should seek to achieve complementarity while avoiding immobility.

184. On project evaluation, the desirability of specifying precise targets when formulating a project was supported. Concerning the mobilization of resources, the increase in funding from the European Commission and other contributors to trust funds was welcome, but the decrease in UNDP support was a cause for concern. It was hoped that that decline would be halted and that the transparency and sufficiency of funding called for in paragraphs 95 and 96 of the "Partnership for growth and development" would be achieved.

185. The African group attached particular importance to ensuring coherence between UNCTAD's analytical work and its operational activities. The latter should be determined by the priorities set by UNCTAD IX and the intergovernmental machinery, and part of the regular budget should be allocated to operational activities to ensure predictability. Concerning the three-year plan, the resource problem could be solved by the use of three-year indicative planning figures, while demand could be estimated through the use of questionnaires sent to beneficiaries and needs evaluation missions. Finally, the African Group supported the Secretary-General's presentation on the LDC Trust Fund. Commitment on the part of donors and all member States according to their means should allow the Trust Fund to meet its objectives.

186. The spokesman for the **Latin American and Caribbean Group** (Argentina), said that technical cooperation was universal in nature and must benefit all developing countries, taking into account the priority attached to certain programmes, such as those concerning LDCs. In this context, his Group expressed its concern that during the years 1992-1995, the share of technical cooperation expenditures in Latin America and the Caribbean - like the share of Asia and the Pacific and Africa - had decreased, whereas the share of expenditures in Europe had increased more than twelvefold. The countries in his region needed more technical cooperation than ever to prepare for and benefit from the globalization process.

187. His Group supported UNCTAD's technical cooperation activities, particularly those on debt management (DMFAS), EMPRETEC 21 and ASYCUDA. Such programmes should be continued and should be funded from the regular budget to give them a solid foundation in the secretariat.

188. In order to obtain a full picture of the situation with regard to technical cooperation resources in the UNCTAD secretariat and to be in a position to make further suggestions on technical cooperation policy and implementation, his Group requested information on the following from the secretariat: the number of staff members (professional and general service) to be assigned to technical cooperation programmes, along with their names and grades; the staff paid from the regular budget; the staff paid from extrabudgetary resources; the extent to which overheads were redistributed to the division undertaking the programme concerned; and the number and method of funding of technical cooperation consultants.

189. Finally, he indicated his Group's support for the Trade Efficiency Programme. The Global Trade Point Network would help developing countries to enhance their participation in international trade and gain greater access to trade-related information.

190. The spokesman for the **Asian Group** (Philippines), regretted that the calendar had not allowed the Working Party on the Medium-term Plan and

Programme Budget to meet to undertake a thorough review of UNCTAD's technical cooperation activities. As stated at UNCTAD IX, these activities were an essential complement to the institution's analytical and deliberative work. Activities which were particularly appreciated included ASYCUDA, TRAINMAR, DMFAS, FORINVEST, EMPRETEC and TRAINS. Seminars and workshops on the follow-up to the Uruguay Round had also been particularly valuable.

191. UNCTAD IX had taken important decisions as regards technical cooperation, and these needed to be implemented. Although none of the programmes pursued in 1995 fell outside the priorities set in Midrand, some of the areas identified as priorities - such as commodity diversification and issues related to the new global trading environment - were barely touched by current programmes.

192. The decline in UNDP funding was disturbing. While the increased contributions of countries and agencies to trust funds was appreciated, they meant more administrative work and influenced the distribution of expenditures, for example among different regions. Increased resources must be made available to support UNCTAD's technical cooperation, and UNDP must be persuaded that sustainable human development could be promoted through increased trade and investment. The Asian Group hoped the LDC trust fund would be established as soon as possible, and it appealed to donor countries to contribute to the fund generously. Donor countries should be encouraged to send associate experts to UNCTAD, including experts recruited from developing countries.

193. Technical cooperation programmes and projects should have action-oriented objectives and be evaluated in terms of their impact on capacity-building. UNCTAD should also enhance its cooperation with other international institutions so as to create more synergies and avoid duplication.

194. Linkages between technical cooperation and policy analysis should be enhanced. The Commissions would have an important role to play in ensuring the effectiveness and relevance of technical cooperation. Arrangements for an indicative plan for technical cooperation could be considered by the Working Party in the context of its examination of the programme budget. The preparation of a rolling three-year plan for technical cooperation could start in the first instance with a statement of priorities. Finally, a strengthened technical cooperation programme would demonstrate the relevance of UNCTAD in addressing the practical problems of trade and development.

195. The representative of **China** said that UNCTAD's technical cooperation had made an active contribution to the development of developing countries. However, the increasing demand for cooperation could not be met due to the lack of financial resources. He particularly noted the decline in UNDP resources made available to UNCTAD, and he called for donors and international organizations to continue and increase their financial support.

196. He noted the decrease in the share of activities in developing countries, particularly in LDCs, and suggested that the demands of developing countries should be given top priority and that a more appropriate balance should be achieved between regions. The goals and principles set out in paragraph 95 of the "Partnership for Growth and Development" should be fully

implemented. As issues became increasingly cross-sectoral in the context of globalization and liberalization, UNCTAD should intensify its cooperation with other international organizations, particularly WTO and ITC.

197. China expressed its appreciation to UNCTAD for its technical cooperation, which had played an active role in the country's reforms, opening-up and economic development. Technical cooperation was one of the major responsibilities of UNCTAD, and it should be strengthened and improved. He believed all member States and international organizations would provide appropriate support in this respect.

198. The representative of **Algeria** congratulated UNCTAD for its technical cooperation programme in the Arab countries. Her country had been a beneficiary of the programme and had learned much from it. It was obvious that the complexity of the issues dealt with by WTO, which had often placed the developing countries in a difficult position, would inevitably give rise to requests for technical assistance from developing countries wishing to gain a better understanding of the results of the Uruguay Round, their implementation and the resulting obligations. It was therefore essential to expand inter-organizational cooperation and increase the synergy between UNCTAD and WTO, since this would facilitate the integration of developing countries into the world trading system, which was not only one of the key objectives of UNCTAD IX but also an internationally agreed goal. Sufficient resources must therefore be made available, and UNCTAD and WTO must strengthen their mutual cooperation in this particular area.

199. The representative of **Romania** said that the documentation before the Committee showed both the scope and the importance of the technical cooperation activities undertaken in recent years, particularly 1995. His country expressed its appreciation for the technical assistance it had received from UNCTAD in such fields as customs commputerization, public debt management, maritime transport training and better use of the GSP. During the recent very successful visit of the Secretary-General of UNCTAD to Romania, the Romanian authorities had emphasized the importance they attached to the intensification of the technical assistance they received from UNCTAD, in particular through TRAINFORTRADE, TRAINMAR, FORINVEST, ACIS, ASYCUDA and the trade point programme. The increasing contribution of the European Commission to such programmes was to be commended. Finally, his delegation could go along with the proposals set out in document TD/B/43/7. The aim should be to further strengthen UNCTAD's technical cooperation activities through better use of the limited resources available.

Action by the Board

200. The action taken by the Board on agenda item 6 is reported in TD/B/43/12 (Vol. I), section I.E.

Chapter VI

MATTERS REQUIRING ACTION BY THE BOARD IN FOLLOW-UP TO THE NINTH SESSION OF THE CONFERENCE AND ARISING FROM OR RELATED TO REPORTS AND ACTIVITIES OF ITS SUBSIDIARY AND OTHER BODIES 2/

(Agenda item 7)

Improving the participation of developing countries' experts in UNCTAD meetings, including the question of financing their participation

(Item 7 (b))

201. For its consideration of this item, the Board had before it the following documentation:

> "Improving the participation of developing countries' experts in UNCTAD meetings, including the question of financing their participation - Note by the UNCTAD secretariat" (TD/B/43/CRP.3).

Consideration in Sessional Committee II

202. Introducing the item, the **representative of the UNCTAD secretariat** said that the question of the participation of developing countries' experts in UNCTAD meetings had been discussed at the recent consultations of the Bureau of the Trade and Development Board. Further to the decision taken at the consultations, the UNCTAD secretariat had prepared a conference room paper outlining the views expressed at the consultations and indicating the options available in the matter (TD/B/43/CRP.3).

Informal meetings

203. Sessional Committee II pursued its consideration of this item in informal meetings.

Action by Sessional Committee II

204. At its 3rd (closing) plenary meeting, on 18 October 1996, the **Sessional Committee** approved its draft agreed conclusions (TD/B/43/C.2/L.4) and recommended them for adoption by the Trade and Development Board.

205. The representative of the **United States of America** made a statement of position on the agreed conclusions and requested that the statement be annexed to the agreed conclusions. 3/

206. The spokesman for the **African Group** (Morocco) said that the agreed conclusions did not fully reflect the position of the developing countries, particularly the African countries, but his Group had decided to accept the conclusions in a spirit of flexibility and consensus.

207. The spokesman for the **Latin American and Caribbean Group** (Cuba) said that his Group was not entirely satisfied with the agreed conclusions but regarded them as a step forward.

208. The spokesman for the **Asian Group** (Pakistan) said that his Group was not completely satisfied with the agreed conclusions either. It hoped that the constructive spirit demonstrated during the Sessional Committee's discussions would be seen in the future and that the trust fund would satisfy the needs of the developing countries.

Action by the Board

209. The action taken by the Board on agenda item 7 (b) is reported in TD/B/43/12(Vol.I), section I.F (b).

Chapter VII

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 8)

(a) Progressive development of the law of international trade: twenty-ninth annual report of the United Nations Commission on International Trade Law

210. For its consideration of sub-item 8 (a), the Board had before it the report of the United Nations Commission on International Trade Law on the work of its twenty-ninth session, held in New York from 28 May to 14 June 1996 (A/51/17), which had been circulated to the Board under cover of a note by the UNCTAD secretariat (TD/B/43/3).

Action by the Board

211. At its 880th meeting, on 16 October 1996, the Board took note of the report of the United Nations Commission on International Trade Law on the work of its twenty-ninth session (A/51/17).

(b) Report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its twenty-ninth session

212. For its consideration of sub-item 8 (b), the Board had before it the report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its twenty-ninth session, held in Geneva from 15 to 19 April 1996 (ITC/AG(XXIX)/157), which had been circulated to the Board under cover of a note by the UNCTAD secretariat (TD/B/43/4).

213. Introducing the report, the **Vice-Chairman of the Joint Advisory Group** (Uruguay) stated that the Group had vigorously reaffirmed the relevance and importance of ITC's mandate in today's trade environment and fully supported the Executive Director's continuing efforts to improve the efficiency of the organization, particularly through institutional reform and closer relations with its parent bodies. Appreciation had been expressed for ITC's technical cooperation activities in 1995 which were judged to be pragmatic, result-oriented and responding to the countries' needs and potential for trade promotion and export development. The Group had also welcomed ITC's initiative to develop a mission statement and expressed its full support for the formulation of ITC's strategy, core services, values and *modus operandi*. It had also noted ITC's contribution to the United Nations Medium-term Plan for the period 1998-2001. Recalling its endorsement of the proposal for setting up a Global Trust Fund at its twenty-eighth session, the Group expressed its satisfaction at the establishment of the Global Trust Fund and the effective functioning of its Consultative Committee.

214. Finally, he reported that, as was the practice each year, government representatives had announced at the twenty-ninth session confirmed or possible voluntary contributions to ITC. On behalf of the Group, he expressed gratitude to the Governments of Canada, China, Denmark, Finland, Germany, India, Japan, Netherlands, Norway, Sweden and Switzerland for this support.

Action by the Board

215. At its 880th meeting, on 16 October 1996, the Board took note of the report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its twenty-ninth session (ITC/AG(XXIX)/157).

Chapter VIII

OTHER BUSINESS

(Agenda item 10)

A. Review of UNCTAD's publication policy

(Item 10 (a))

216. For its consideration of this sub-item, the Board had before it the following documentation:

"Review of UNCTAD's publication policy - Note by the UNCTAD secretariat" (TD/B/43/CRP.4).

Consideration in Sessional Committee II

217. Introducing the sub-item, the **representative of the UNCTAD secretariat** said that the Board's review of the organization's publication policy was being conducted further to paragraph 107 (a) of "A partnership for development" (TD/377). In addition to the Board's review, the General Assembly would be conducting a review of the publications policy of the United Nations Secretariat as a whole at its fifty-first session, and the issue of publications was also being considered in the context of the Secretariat-wide efficiency review mandated by the Secretary-General of the United Nations earlier in the year.

218. As indicated in document TD/B/43/CRP.4, the Secretary-General of UNCTAD had set up a publications task force to look into every aspect of UNCTAD's publication policy and practice. Since the task force would need some time to complete its work and since it would not in any case be able to do so until the General Assembly had completed its own review in December 1996, it would be reporting to the Secretary-General of UNCTAD in March 1997. The current review by the Board should therefore be seen as the beginning of a process, and it was hoped that the Board would provide the UNCTAD secretariat with guidance and endorse the approach outlined in TD/B/43/CRP.4.

Action by the Board

219. The action taken by the Board on agenda item 10 (a) is reported in TD/B/43/12(Vol.I), section I.H.

B. Issue of coordination and cooperation between UNCTAD and relevant international organizations

(Item 10 (b))

220. Introducing the item, the **representative of the UNCTAD secretariat** said that the Secretary-General of UNCTAD attached the highest priority to the issue of coordination and cooperation with other organizations, and the guiding principles underlying such cooperation were the avoidance of duplication and the creation of synergies. The Secretary-General was

following both a top-down and a bottom-up approach, with regular meetings at the head-of-agency level and ongoing contact at the working level. The result was a high level of cooperation and trust.

221. In providing the Board with information on UNCTAD's cooperation with other international organizations, the secretariat wanted to strike a balance between comprehensiveness on the one hand and relevance and interest on the other. Particular reference should be made to the cooperation which UNCTAD was developing on a regular basis with the World Bank, WTO, UNIDO, ITC, OECD, the Common Fund for Commodities, and other relevant branches of the United Nations Secretariat, in particular the regional commissions. A great deal had already been achieved, but of course much still remained to be done.

Action by Sessional Committee II

222. The **Sessional Committee** decided to postpone consideration of this sub-item because of the late submission of the relevant in-session documentation.

223. The representative of the **United Kingdom** expressed his delegation's disappointment at the failure of the secretariat to produce the required documentation. The agenda for the Board's session had been known for some time, and it was therefore difficult to understand why the documentation had not been prepared accordingly.

224. The spokesman for the **African Group** (Morocco) said that his Group would have liked to be able to discuss all the items on the agenda. It had in fact intended to request the inclusion in the agenda of other items of great importance to Africa and the developing countries in general, but it had refrained from doing so in view of the number of items already on the agenda. The fact that it had not been possible to consider all the scheduled items because documentation had not been prepared was therefore a matter of great concern.

225. The representative of the **United States of America** expressed dismay that the documentation on the sub-item in question had not been made available; delegations had been seeking information on this issue for a year. The question of the issuance of documents in a timely fashion was a matter of concern.

Action by the Board

226. The action taken by the Board on agenda item 10 (b) is reported in TD/B/43/12(Vol.I), section I.H.

Chapter IX

STATEMENTS MADE AT THE CLOSING PLENARY MEETING ON 18 OCTOBER 1996

227. The spokesman for the **Latin American and Caribbean Group** (Cuba) expressed appreciation for the way in which the business of the current session of the Board had been conducted in the spirit of Midrand, which he hoped would inspire and encourage the future work of UNCTAD. The decisions and agreed conclusions adopted by the Board, as well as the summaries by the presiding officers, were a step forward in the implementation of the agreements reached at UNCTAD IX and laid the foundation for a more dynamic functioning of the institution. His Group hoped that, in the follow-up work, the secretariat would inject the necessary energy and effectiveness into these new mandates. Much remained to be done to advance the cause in terms of the tasks assigned to the Commissions and expert meetings, for the main challenge ahead was to perfect a pragmatic approach that would enable the international community to deal with the development problem in a globalized world economy and to endow UNCTAD with efficient and modern instruments for helping the developing countries to meet this challenge.

228. He called on the secretariat to take into account, in all aspects of its work, the prevailing critical situation of those Latin American and Caribbean countries that had structurally weak and vulnerable economies, especially in the application of technical cooperation programmes, with a view to enabling governments to create an environment that was conducive to sustainable development and strengthening these countries' capacity to participate fully in the international economy, trade and investment. Similarly, the secretariat should pay more attention to Latin America and the Caribbean in its various studies and publications on the interdependence issue and on other matters.

229. Finally, his Group had made a positive evaluation of the results of the high-level segment of the Board on investment and emphasized the benefits deriving from the format adopted for the discussions. In the light of that experience, his Group considered that the general discussions in UNCTAD should be much shorter, that the device of informal consultations and expert participation should be used, and that the discussions should focus on taking specific action, without prejudice of course to the possibility and the right of regional groups and countries to present their interests in the manner best suited to their own needs.

230. The representative of **Ireland**, speaking on behalf of the **European Union**, said that there had been several important and successful meetings during the Board, foremost among which was the Global Investment Forum. Clearly, the innovation of the high-level segment would continue to be an important feature of the regular session of the Board. Furthermore, the panel discussions on interdependence had been a valuable mechanism for encouraging real discussion on this issue. The European Union looked forward to participating in consultations on the topic to be selected for the next high-level segment, and took the view that the topic should be agreed by Spring 1997 to allow for adequate preparation.

231. At the same time, the European Union believed that one of the lessons to be drawn from the current session was that there was a pressing need to examine and reform the working methods of the Board. Discussions in the Board must result in a useful exchange of views. Participants must move away from the pronouncement of lengthy formal statements towards a more informal exchange. The discussions should be of direct benefit to developing countries and should result in clear conclusions, including operational guidelines for the secretariat. Particular attention should be paid to the need to refocus and revitalize the discussions of relevance to the LDCs and to Africa.

232. Finally, he wished to place on record the European Union's regret at the failure of the Board to review UNCTAD's cooperation and coordination with other international organizations, owing to the lack of appropriate documentation. He emphasized once again the importance which the European Union attached to this question.

233. The spokesman for the **Asian Group** (Pakistan) said that, while the members of the Asian Group on the whole were greatly satisfied with the work of the current session of the Board, there were a few aspects he wished to comment on in order to improve the output of this session and the deliberations of future sessions. First of all, his Group felt that there should be a prior understanding of the desired outcome of the deliberations on the interdependence item. This would help avoid situations where delegations had to negotiate on texts in insufficient time, thereby leading to conclusions which might not truly reflect the complexity of issues. Secondly, the Board should make an effort to document the valuable exchanges which took place during the high-level segment. In this regard, the Asian Group took note of the concluding remarks made by the President of UNCTAD IX, in his capacity as Chairman of the high-level segment. His Group also appreciated the concern of the secretariat to retain the informal character of the high-level proceedings. Nevertheless, the Asian Group was of the view that the inputs provided by the experts, who were participating in their personal capacity, should not be lost. The Board could be provided with verbatim, or at least summary, records of the interventions made by the experts during the panel discussion on interdependence and by the experts and resource persons during the high-level segment. Thirdly, he wished to underline a concern expressed by other delegations, especially in the context of Sessional Committee II: namely, the need to ensure that items on the agenda were not deferred merely because of the lack of necessary documentation.

234. The spokesman for the **African Group** (Morocco) expressed his Group's profound satisfaction at the attention paid by all delegations to the concerns of the LDCs. He urged the Secretary-General of UNCTAD to pursue his consultations with a view to securing a rapid installation of the Trust Fund for LDCs - an initiative which he hoped would be able to redress the negative trend recorded in the resources and expenditures allocated to the LDCs in the framework of the technical cooperation programme for 1995. Underlining the importance the African Group attached to UNCTAD's activities in favour of the LDCs, he stressed the need for a subprogramme devoted to those activities. This stance did not imply that his Group wished to revive the former LDC Division, and it had no intention whatsoever of going back on the approach decided upon at UNCTAD IX for the treatment of LDC issues. The African Group's sole concern was to ensure transparency in the follow-up work,

adequate monitoring and the preparation of the annual report on the LDCs, as well as support for the intergovernmental mechanisms called upon to deal with LDC matters.

235. Turning to interdependence, he said that the African Group attached great importance to the lessons which UNCTAD could draw from the experiences of South-East Asia that might be of benefit to other countries. His Group was pleased to note the secretariat's intentions in this regard and thanked Japan warmly for the support it had undertaken to give to this initiative in Africa.

236. Regarding the implementation of the United Nations New Agenda for the Development of Africa in the 1990s, he wished to convey to the Secretary-General of UNCTAD the concern of the African Group at the manner in which the secretariat had approached the task of monitoring and contributing to the implementation. In the view of his Group, a focal point would be necessary to guarantee a better follow-up of the implementation of this programme.

237. Commending the secretariat for the efficient organization of the high-level segment on investment, he said that the African Group attached particular importance to FDI. There was a real need for more analytical work and research in order to gain a greater understanding of all aspects of this issue. The dialogue launched in the high-level segment on investment should be pursued at the regional and national levels. Future debate on this issue should be geared to the potentialities and difficulties encountered on the path which Africa and the LDCs might take towards FDI.

238. With reference to technical cooperation, he emphasized his Group's anxiety at the marked decline in recent years in the share of technical assistance resources allocated to LDCs and African countries. He hoped that this trend, which had benefited one region in particular, could be corrected in future in order to meet the concerns of other developing regions, especially the most underprivileged among them.

239. Observing that the African Group countries had shown great flexibility in the consultations during the Board on the financing of the participation of experts in UNCTAD meetings (item 7 (b)), he expressed the hope that funds could be made available rapidly to the Secretary-General of UNCTAD to enable him to begin implementing the agreed conclusions adopted by the Board. He thanked all the delegations that had contributed to reaching a consensus on this thorny question, and especially the Swiss and Norwegian delegations for the role they had played.

240. The representative of the **Russian Federation** said that the forty-third session of the Board had been business-like. The less formal setting for discussions was leading to greater efficiency in UNCTAD and the results of the session were in line with reforms agreed upon at Midrand. The high-level segment of the Board was also a source of satisfaction and should remain an important part of the regular session in future. The two recurrent publications considered by the Board - the *Trade and Development Report* and the *World Investment Report* - had provided a very useful foundation for the discussions on the world economy. The differences of view expressed in relation to these reports demonstrated, if anything, that UNCTAD was dealing with important topics. Of course, further reserves remained to be tapped.

For example, a deeper analysis of trade and development issues in the globalization process would improve the chances of agreeing on even better conclusions and recommendations. He therefore hoped that the dynamic movements taking place in UNCTAD would be maintained, together with a spirit of partnership and cooperation in the search for solutions.

241. Referring to a point raised by the European Union, he said that his delegation had also been looking forward to receiving the paper which the secretariat had been asked to prepare on the issue of coordination and cooperation between UNCTAD and relevant international organizations (item 10 (b)), since it would have facilitated a discussion in the Board and clarified the issues in the wake of UNCTAD IX. He therefore trusted that the secretariat would issue this paper in the near future so that the item could be taken up at an executive session of the Board or in some other appropriate forum.

242. The spokesman for the **least developed countries** (Bangladesh) expressed appreciation to all those delegations that had given voice to their concern and sympathy for the LDCs during the current session and had underlined the imperative need to do something concrete for those countries. It was the sincere hope of the LDCs that the various agreements reached would be transformed into reality - that words would be transformed into deeds and specific action to alleviate the sufferings of this disadvantaged group of countries.

Notes

1/ For the text of the statement by Mr. Alec Erwin, see Report of the Trade and Development Board on its forty-third session, volume I (TB/B/43/12 (vol. I)), section I.A.

2/ For the action on item 7 (a) (Report of the Secretary-General of UNCTAD on preparations for a meeting with actors in development, see TD/B/43/12(Vol.I), section I.F (a).

3/ For the statement by the United States, see TD/B/43/12(Vol.I), section I.F (b), annex to agreed conclusions 438 (XLIII).

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